



City of Auburn Hills Michigan



*Comprehensive Annual Financial Report
Year Ending December 31, 2003 - Finance Department*

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Auburn Hills,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**CITY OF AUBURN HILLS, MICHIGAN
DECEMBER 31, 2003**

PREPARED BY
Finance Department

FINANCE OFFICER
George J. Martini

INDEPENDENT AUDITORS
Plante & Moran, PLLC

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I. INTRODUCTORY SECTION

The Introductory Section Contains:

- A. List of Principal Officials**
- B. Organization Chart**
- C. Transmittal Letter**

PRINCIPAL OFFICIALS

CITY OF AUBURN HILLS

CITY COUNCIL

Mari Harvey-Edwards, Mayor

Robert Kittle
Henry V. Knight
George A. Luenberger
James D. McDonald
Otis Newkirk
Daniel L. Pillsbury

ACTING CITY MANAGER

Michael Culpepper

ASSISTANT CITY MANAGER

Thomas A. Tanghe

CITY CLERK..... Linda F. Shannon

CITY ASSESSOR..... Victor J. Bennett

FINANCE OFFICER..... George J. Martini

CITY TREASURER..... Victoria L. Valko

DIRECTOR OF SENIORS SERVICES..... Karen Adcock

DIRECTOR OF GOLF..... Gordon Marmion

COMMUNITY DEVELOPMENT DIRECTOR..... Brian McBroom

RECREATION DIRECTOR..... Brian Marzolf

FIRE CHIEF..... Mark K. Walterhouse

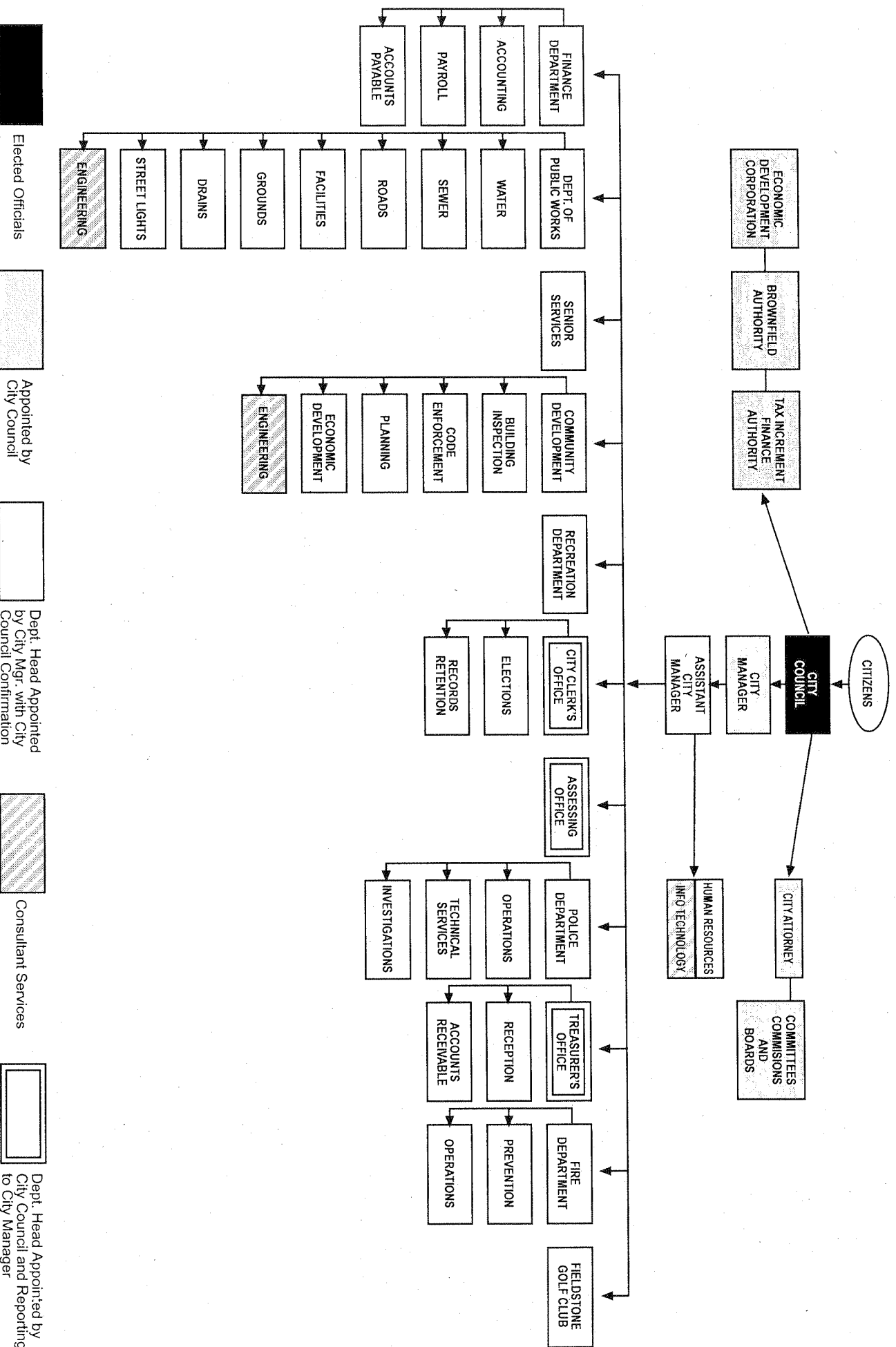
POLICE CHIEF..... Doreen E. Olko

DIRECTOR OF PUBLIC WORKS..... Michael Culpepper

CITY ATTORNEY..... William P. Hampton

ORGANIZATIONAL CHART

City of Auburn Hills



CITY OF AUBURN HILLS

1827 N. Squirrel Rd. • Auburn Hills, MI 48326-2753

Phone: (248) 370-9400

Fax: (248) 370-9348



CITY OF AUBURN HILLS

Ms. Mari Harvey-Edwards, Mayor
City Council and Citizens
City of Auburn Hills, Michigan
July 19, 2004

The City of Auburn Hills Comprehensive Annual Financial Report for the year ended December 31, 2003 is hereby submitted. This report was prepared by the Finance Department. Responsibility for both the accuracy of the presented data and the completeness and fairness of this presentation, including all disclosures, rests with the City. We believe the data as presented is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activity have been included. A more detailed statement of management's responsibility for the Financial Statements is included in the Financial Section of this report, adjacent to the Auditor's opinion.

FINANCIAL REPORT FORMAT

The 2003 Comprehensive Annual Financial Report is the City's first financial statement to incorporate the provisions of the Governmental Accounting Standards Board (GASB) Statement Number 34, *Basic Financial Statements and Management's Discussion and Analysis-For State and Local Governments*. Accordingly, the content and presentation of this financial statement has changed considerably from previous Comprehensive Annual Financial Reports.

The report is divided into three sections: Introductory (including the Table of Contents and this Transmittal Letter), Financial (which includes the basic financial statements, required supplementary information, and combining fund financial statements for all non-major governmental funds), and the Statistical (including tables of statistical data).

The Statistical Section contains 16 tables of data reflecting financial, social, and economic trends of the City of Auburn Hills and Oakland County for 2003 and prior years.

BASIS OF PRESENTATION

The City's Comprehensive Annual Financial Report is prepared in conformance with the statements and interpretations of the Governmental Accounting Standards Board (GASB). Some of the major requirements of this authoritative body are described below:

Fund Types Categorized-The City's operations are accounted for through seven different fund types (each accounting for designated assets, liabilities, and fund equity). The notes to the financial statements describe these funds. The seven fund types maintained by the City are classified into three categories as shown below:

<u>Category</u>	<u>City of Auburn Hills Funds</u>
Governmental Funds	General, Special Revenue, Debt Service, Capital Projects
Proprietary Funds	Internal Service, Enterprise
Fiduciary Funds	Trust and Agency

Measurement Focus Clarified:

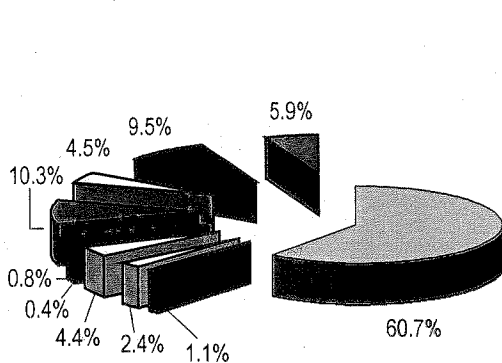
The measurement focus of Governmental Funds is based upon the determination of financial position (depicted by a balance sheet) and changes in financial positions (depicted by a statement of revenues, expenditures, and fund balance). The modified accrual basis of accounting is used to measure financial position and operating results. Under the modified accrual basis, revenues are recorded when measurable and available, and collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. With minor exceptions, expenditures are recorded when the related liabilities are incurred.

CITY OF AUBURN HILLS ANAYLSIS OF GENERAL GOVERNMENTAL REVENUES AND EXPENDITURES 2003

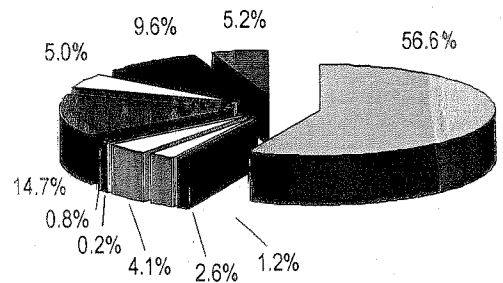
2003

REVENUES

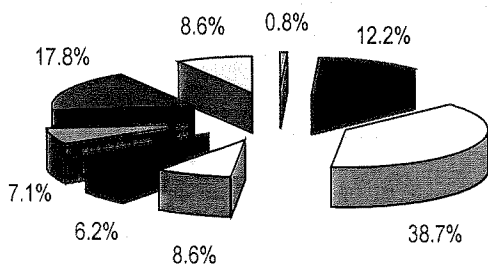
2002



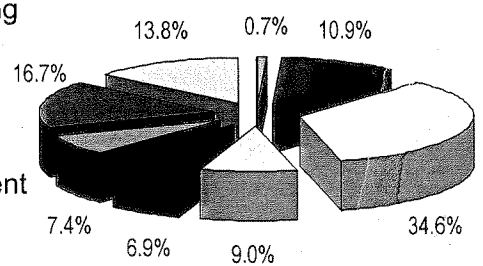
- Property Taxes
- Special Assessments
- Licenses and Permits
- Charges for Services
- Fines and Forfeitures
- Federal Sources
- State Sources
- Use of Money & Property
- Administrative & Interfund Charges
- Other



EXPENDITURES



- Legislative
- Management & Planning
- Public Safety
- Streets, Highways, & Public Improvements
- Community Development
- General Support
- Capital outlay
- Debt Service



The measurement focus of Proprietary funds is based on the determination of financial position (depicted by a statement of net assets), net income (depicted by a statement of revenues, expenses and changes in fund net assets) and changes in cash flows (depicted by a statement of changes in cash flows). The accrual basis, under which revenues are recorded when the related liabilities are incurred, is used to account for the Proprietary funds. The accounting principles utilized for these funds are very similar to those used in private industry.

The Fiduciary Fund which is maintained by the City, the Agency Fund, is purely custodial in nature (i.e., assets equal liabilities) and accordingly, the results of operations are not measured.

NOTES TO FINANCIAL STATEMENT

The notes provided in the Financial Section of this report are considered an integral, essential part of adequate disclosure and fair presentation of this financial report. The notes include a Summary of Significant Accounting Policies for the City and other necessary disclosures of pertinent matters relating to the financial position of the City. The Notes express significant insight to the financial statements and are conjunctive to understanding the rationale for presentation of the financial statements and information contained in this report.

THE REPORTING ENTITY AND ITS SERVICES

The funds and entities related to the City of Auburn Hills included in this Comprehensive Annual Financial Report are considered to be within the overall responsibility of the Mayor and City Council. The criteria used in determining the reporting entity is consistent with the Governmental Accounting Standards Board Codification Section 2100. Based on these criteria, the various funds and component units shown in the Table of Contents are included in this report.

DESCRIPTION OF CITY OPERATION

Background:

The City of Auburn Hills is geographically located in the southeast region of Michigan's lower peninsula, a suburb of the Greater Detroit Metropolitan area. The City has an estimated population of approximately 20,000. Further information regarding the description of the City and its operations is included in Note A of the Financial Statements.

Organization of Government Unit:

The City was incorporated as a City in 1983, and is presently a Home-Rule City under the Home Rule Cities Act; being Act 279, Public Acts of Michigan, 1909, as amended (the "Home Rule Act"). The City operates under the Council-Manager form of government. The Council Members are elected at large. The terms of the Council are staggered. Four Council members are elected every two years, three for a four-year term and one for a two-year term. Every two years the Mayor is elected from the members of the City Council for a two-year term. The City Manager is appointed by and serves at the pleasure of the Council and is responsible for the City's day-to-day operations. An organization chart depicting the City structure is shown on the page preceding this transmittal letter. The Finance Officer is the Chief Financial Officer of the City and assists the City Manager and City Council in fulfilling their responsibilities in the financial area. The City has net assets totaling approximately \$167 million and annual expenses of approximately \$36 million for the governmental and business-type activities.

Services Provided:

The City of Auburn Hills provides a full range of services to its residents including police and fire protection, street maintenance, water and sewer services, community enrichment and recreation services, as well as other general governmental functions.

INTERNAL AND BUDGETARY CONTROL

City Administration is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute assurances, that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal control structure adequately safeguards assets and provides reasonable assurance of the proper recording of financial information for both internal and external reporting purposes. The State of Michigan statutes require that all local units of government prepare, approve, and adopt an annual budget. Funds that have budgets cannot legally exceed their appropriations.

Budgetary control is maintained at the sub-function level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. There were no encumbrances at the end of the year, since they became valid accounts payable or the encumbered amounts were released.

ECONOMIC CONDITION AND OUTLOOK

In 2003, the economy was a major issue in the City of Auburn Hills. While the City was able to show a slight increase in property valuation, commercial and industrial development was moderately slower compared to the previous year. While a national slow down of economic activity was significant, the impact here was not as harsh. Toward the last quarter of 2003, leading national indicators were showing positive trends. Recognizing and reacting to the slow down, Auburn Hills closely monitored spending, identified areas where cuts could be taken and planned for decreases in State shared revenue. Initiatives undertaken by the City with regard to its own workforce included delays in hiring replacement staff for existing positions, and a very conservative approach to adding any new staff. Employment in the marketplace generally continues to rise but only incrementally. Larger corporations are showing a significant shifting from the traditional employer/employee relationship to the broader use of temporary and contract employees.

In the short run, many existing companies continued to position themselves for the positive future economic forecast demonstrated by small expansions within the City. Several new business sites continued to develop attracting international and national firms. During this most recent slow period there has continued to be preparations by foresighted companies in investing in a multitude of varying projects and varying sizes.

The City Council again reduced the property tax rate a small amount for the 2003 property tax levy. The City also took advantage of available cash and low interest rates and called an additional outstanding bond issue for early payment. This call was made with a very small prepayment penalty and will result in a net savings of over \$60,000 in interest charges to the City over the next two years. The early call of this bond issue and the earlier calls in previous years will result in a substantial reduction in the property tax rate for the 2004 tax levy.

During 2003, the City reviewed and updated the One and Five Year Financial and Capital Improvement plan. This plan was submitted to the City Council for review and approval prior to the distribution of the final budget recommendations. This planning process allows the City Council to review not only projects proposed for the coming year, but projects that are anticipated over the next five years. The plan includes projections of revenues and expenditures including revenues to support any capital projects that are proposed and once again, allows the Council the opportunity to see the overall impact of the proposed capital improvement and other plans on the City's budget and service levels.

It is often quoted that the City of Auburn Hills is nearly "built out". This tends to indicate the City has only a small amount of land area available for development. When examining the true space available combined with land that is available for re-development, more than 20% of land remains available. Some of the most significant land areas are those that are currently occupied but not utilized at its highest and best use potential. Combined with the inventory of vacant land there is an appreciable number of properties that can be expected to be considered for new configurations better suited for the future. Again, the reuse of existing inventories is an important focus of the City.

We believe that the economy in Auburn Hills will continue to improve in 2004 and we will see a continued growth in the community extending well beyond 2004. We anticipate the property tax rate will continue to be reduced as property values grow and as outstanding debt is retired. The City does not anticipate any additional bond issues at this time. We believe the short and long term economic outlook and financial outlook for the City of Auburn Hills is extremely bright and the community has planned well for both current and future needs.

MAJOR INITIATIVES

Several developments are taking advantage of tax incentives to redevelop under the "Brownfield" strategy. The largest Brownfield in Auburn Hills is the Dutton Corporate Centre Development in the Lapeer Road and Dutton Road area. This is creating a large combination of elements composed of technical/research buildings with retail establishments fronting Lapeer Road. There are six other Brownfields either actively being developed or under consideration. These Brownfields are a creative methodology that transforms unusable land into productive property by utilizing a financing method that initially captures new taxes derived from new construction to pay the cost of the land amelioration. Following the initial tax capture period (10 years), subsequent property taxes revert to the municipality's normal general collection fund.

Currently there are three large commercial properties in various stages of construction in various parts of the City. Borg Warner, Pitcairn Place and the Goertz Scheillie expansion projects are respectively national headquarters, multiple office and tech/office/warehouse configurations totaling over 200,000 feet of new development. These are in addition to speculative buildings already built on Superior and Commerce Court.

The former Food Town and K-Mart retail buildings and related property have been purchased by Redico Corporation who is anxious to redevelop the property. Through a cooperative spirit, the City's departments, boards, commissions and council demonstrated an openness for adaptive reuse of property, where practical, to foster viability throughout the City. Redico is planning on a phased development

reconfiguring the two existing buildings from retail use to a commercial technical, warehouse and research use. They also plan on adding other commercial buildings on the site as well.

Several residential developments continue with sales of new units characterized as brisk. Forester Square, Arbor Cove, Auburn Park and Thornhill residential developments are actively building individual homes and condominiums. Heritage in the Hills and the Paramount Estates developments are coming to a close with the final units now being constructed. Shimmons Woodgrove and Arbor Grove are developing streets and infrastructure for construction beginning in the summer of 2004. Angelus Forest is another potential development that remains in the planning stages.

Auburn Hills is partnering with Rochester Hills, Oakland County and Oakland University in the initial stages of the creation of a "Smart Zone" to foster the business growth of new technologies in this area. The "Smart Zone" concept is a creation of the Michigan State Legislature suited ideally for the unique combination of businesses and the University situated between Rochester Hills and Auburn Hills. Overall, it fits the economic mix being lead by Oakland County in establishing the County as a national and international center for emerging technologies. Along with the "Automation Alley" goals, the "Smart Zone" positions the City to be part of the nascent technologies that are expected to keep the City of Auburn Hills and County economically viable as a significant participant of future business growth and retention.

The Village Center continues to transform, moving toward a non-traditional mixed use district. The residential construction along Squirrel Road is attracting much attention from the general public. The majority of the newly constructed residences have been sold long before their completion. The steel girders erected at the corner of Squirrel and Auburn are now taking shape and are expected to be available for office and retail business occupants later this year. Reconstruction of the former hardware store is substantially completed increasing the retail potential. While there are three separate new buildings planned to begin soon, other core locations are also under serious consideration for expansion and development in and around the Village Center. The City is working in concert with developers to help facilitate developments that are beneficial to the goals of the Village Center, while promoting the area so that it will remain an attraction and area of investment interest to the development community.

The reconstruction of Auburn Road from Churchill to Opdyke Road is now complete. The new lighting and roadway substantially improves the appearance and traffic safety through the corridor. This will act as a catalyst in attracting of new business and the retention of existing businesses along this area.

Expansion of the private sector business and facilities is a gauge of economic success, but it also important to view the investment in public facilities as support and an important source of services which make Auburn Hills a sought after business location. In 2003, the City began construction to proudly enhance its recreational jewel, Fieldstone Golf Club, with a clubhouse designed to attract and serve a greater volume of business. From a business perspective, the City recognizes that in order to operate the golf course at a competitive level and to enhance the overall operation of that recreational amenity, a full-service clubhouse was a necessity.

The delivery of services to residents and businesses will also be enhanced when the City staff moves into the new addition to City Hall which began construction in 2003 and has added space for the City Clerk and City Treasurer Departments. In addition, a new Council Chamber with a 35% greater seating capacity and appropriate technology for public presentations will meet the need of this growing community. No longer is the City image projected to only a local audience, but instead, it also finds itself presented on an international business stage. The enhancement of service delivery will be assisted with the addition of facilities that meet the needs of an efficient and effective 21st century office environment.

Having a major entertainment and sports venue such as The Palace of Auburn Hills does not come without challenges. With successful sports teams and capacity entertainment events, the Palace attracts national attention by prominently highlighting the name of Auburn Hills. Associated with the events are the peripheral security issues and economic advantages. The demands on security require the public safety department to maintain very high standards that are consequently shared by all the citizens within the City. When thousands of fans are continually visiting the Palace, economic benefits are shared by the restaurants, hotels and retail establishments that the visitors patronize before and following the events.

A positive government attitude toward new ideas, the willingness to utilize fresh legislative concepts, and the understanding of environmental issues along with amenities for the individual; have placed Auburn Hills in an advantageous position. Auburn Hills has actively positioned itself to take advantage of economic trends and new technologies and is poised to not only be among the significantly economically strong cities of Michigan, but it is ready to become a recognized leader.

ENTERPRISE OPERATIONS

The City of Auburn Hills operates Water and Sewer Funds that provide water and sewage service to all residents and businesses of the City on a cost reimbursement basis. In addition, beginning in 1995, the City began construction of an 18-hole, city owned golf course facility. This facility, Fieldstone Golf Club, was finished and began operations in mid-1998. Operating Revenues and Net Income for 2003 and 2002 are presented below:

	<u>Operating Revenues</u>		<u>Net Income (Loss)</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Water Fund-----	\$ 3,864,093	\$3,819,567	(\$1,066,718)	(\$ 383,360)
Sewer Fund-----	3,911,956	4,162,470	(120,608)	(2,324,536)
Fieldstone Golf Club-----	<u>1,475,525</u>	<u>1,385,642</u>	<u>(107,669)</u>	<u>(423,180)</u>
Total-----	<u>\$ 9,251,574</u>	<u>\$9,367,679</u>	<u>(\$1,294,995)</u>	<u>(\$3,131,076)</u>

PENSION OPERATIONS

The City of Auburn Hills maintains a single-employer defined benefit pension plan. The latest actuarial report, for the period ended December 31, 2002, showed 86 active participants, 46 current retirees, and 44 terminated vested employees. At December 31, 2002 the pension assets of the City of Auburn Hills pension plan totaled \$14,199,574.

During 1998, the City created a defined contribution pension plan, administered by the International City Managers Association (ICMA). This is the only plan available to new employees of the City. While not only decreasing the total pension cost to the City, it will also provide a more portable pension benefit to the employees of the City.

CASH MANAGEMENT

Excess cash of the City is held in short-term Certificates of Deposit (less than 90 days), various checking accounts, and a governmental money market fund. This arrangement allows almost all cash to remain in accounts earning market rates of interest until checks are presented at the bank against one of the checking accounts. During 2003, the City earned \$633,794 in interest, an approximate return of 1.06%.

DEBT ADMINISTRATION

At December 31, 2003, the City had a number of debt issues outstanding. The issues included \$1,360,000 of general obligation unlimited tax bond issues, \$22,550,000 of general obligation limited tax bond issues, and \$722,619 in land contracts, obligations to Oakland County, installment loans, and Michigan Tax Tribunal property tax appeals. The City has an A+ and A rating from Standard & Poor's Corporation and a A1 and A2 from Moody's Investors Service on general obligation unlimited tax bond issues and on issues with tax limitations, respectively.

The City debt limit, as defined by statute, is ten percent (10%) of equalized property values or \$233,024,579. Total City long-term debt was \$24,632,619 at December 31, 2003. Of this amount, \$18,010,000 is subject to the debt limit.

At December 31, 2003, \$535,298 is available for retirement of City debt.

Summarized below is the debt of the City, including both general obligations of the City and obligations of the City's component units.

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Net Bonded Debt Per Capita-----	\$453	\$473	\$560	\$966	\$1,686
Net Bonded Debt as a Percentage of Assessed Value of Taxable Property-----	.4%	.4%	.5%	1.0%	1.8%
Debt Service Expenditures as a Percentage Of Governmental Expenditures (Including Debt Service Expenditures)-----	8.6%	13.8%	11.1%	10.3%	9.0%

RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for these potential risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past five years.

INDEPENDENT AUDIT

State Statutes require an annual audit by independent certified public accountants. The accounting firm of Plante & Moran, PLLC was selected by the City Council to perform this required audit. The auditor's opinion covers the basic financial statements. The auditors do not audit nor extend an opinion on either the transmittal letter or statistical section.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Auburn Hills, Michigan for its comprehensive annual financial report for the fiscal year ended December 31, 2002. This is the fifth consecutive year that the City has participated in this program and received the award.

In order to be awarded a Certificate of Achievement for Excellence, a government must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement for Excellence is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.


ACKNOWLEDGMENT

The preparation of this Report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Office and other City Departments that contributed to the preparation of this report. We would also like to thank the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Michael W. Culpepper
Acting City Manager



George Martini
Finance Officer

II. FINANCIAL SECTION

The Financial Section Contains:

- A. Auditor's Report**
- B. Management's Discussion and Analysis**
- C. Basic Financial Statements**
- D. Notes to Financial Statements**
- E. Required Supplementary Information**
- F. Other Supplementary Information**



Independent Auditor's Report

Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

To the Honorable Mayor and Members of the City Council
City of Auburn Hills, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Auburn Hills, as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Auburn Hills' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Auburn Hills as of December 31, 2003 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, pension system schedules of funding progress and employer contributions, and the budgetary comparison schedules as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Auburn Hills' basic financial statements. The accompanying introductory section, other supplemental information, and statistical section as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining balance sheets and combining statements of revenue, expenditures and changes in fund balance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory section, budgetary comparison schedules and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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To the Honorable Mayor and Members of the City Council
City of Auburn Hills, Michigan

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As described in Note O, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of January 1, 2003.

Plante & Moran, PLLC

June 15, 2004

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF AUBURN HILLS

As the management of the City of Auburn Hills, we offer readers of the Comprehensive Annual Financial Report this narrative overview and analysis of the financial activities of the City of the year ended December 31, 2003. We encourage readers to consider the following information in conjunction with the information presented in the City's financial statements and transmittal letter.

FINANCIAL HIGHLIGHTS

The assets of the City of Auburn Hills exceeded its liabilities at the close of the most recent fiscal year by \$167,299,630 (net assets). Of this amount, \$116,033,007 is the investment in capital assets (net of related debt), \$20,876,151 are assets restricted for specific purposes and functions, while the remaining \$30,390,472 represents unrestricted net assets which may be used to meet the demand for resources for the ongoing functions of the City.

The City's total net assets increased by \$5,190,769. This net increase is attributable to the use of current resources to liquidate long-term liabilities of the City and the results of on-going operations. The increase in the net assets of the governmental activities was \$6,392,177 while the business-type activities realized a decrease in total net assets of \$1,201,408.

At December 31, 2003, the City of Auburn Hills' governmental funds reported combined fund balances of \$19,178,425, a decrease of \$3,002,844 from the December 31, 2002 balance of \$22,181,269. This decrease was attributable to the use of fund balance which was designated for a large infrastructure project in the south end of the City.

At December 31, 2003, unreserved fund balance for the General Fund was \$1,842,700 or 15.5% of total General Fund 2003 expenditures.

The total long-term debt of the City of Auburn Hills decreased by \$6,733,942 from \$31,366,561 to \$24,632,619. This reduction was attributable to principal payments made on long-term debt in 2003 in the amount of \$3,147,951 combined with a reduction in Tax Tribunal Cases in the amount of \$3,585,991. This reduction was due to the settlement of several large appeals of property tax valuations. There were no new debt issuances by the City during 2003.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Auburn Hills' basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decrease in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during 2003. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal period (e.g., multi-year special assessments and other receivables not collected within sixty days of the end of the fiscal year).

Both of the government-wide financial statements distinguish functions of the City of Auburn Hills that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Auburn Hills include legislative, management and planning, public safety, streets, highways & public improvements, community and economic development, and general support. The business-type activities of the City include the water and sewer departments and Fieldstone Golf Club, a municipal golf course.

The government-wide financial statements include not only the City itself (known as the primary government) but also includes five legally separate component units for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found as Exhibits A-1 and A-2 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City of Auburn Hills, like most other state and local governments, uses

fund accounting to ensure and demonstrate compliance with finance-related legal requirements and to comply with State and GASB (Government Accounting Standards Board) requirements for governmental accounting. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of available resources, as well as on balances of available resource available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term ability to meet financial commitments.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Auburn Hills maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, four special revenue funds, and one debt service fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation entitled "Other Non-Major". Individual fund data for each of these non-major governmental funds is provided in the form of combining fund financial statement in this report.

The City of Auburn Hills adopts an annual appropriated budget for all governmental funds. A budgetary comparison statement has been provided for all governmental funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found as Exhibits A-3 and Exhibits A-5 of this report.

Proprietary Funds. The City of Auburn Hills utilizes two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the Water Department, Sewer Department, and Fieldstone Golf Club municipal golf course. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City utilizes internal service funds to accounts for its fleet of vehicles and equipment and for the accounting of the liability for unused, earned accrued sick and vacation hours. These functions have been allocated to governmental activities and business-type activities in the same proportion as the amount of services these functions provide to the activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer, and Fieldstone Golf Club funds. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements beginning with Exhibit G-1.

The basic proprietary fund financial statements can be found as Exhibit A-7, A-8, and A-9 of this report.

Fiduciary Fund. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of this fund are not available to support the City of Auburn Hill's programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's only fiduciary fund is the agency fund.

The basic fiduciary fund financial statement can be found as Exhibit A-10 of this report.

Component Units Presentation. The government-wide financial statements include not only the financial information for the City of Auburn Hills (the primary government), but also five legally separate component units for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government.

The basic component unit financial statements can be found as Exhibit A-11 and Exhibit A-12 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as Exhibit A-13 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF AUBURN HILLS

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Auburn Hill's progress in funding its obligation to provide pension benefits to its employees. In addition, budgetary comparison schedules are provided for all major governmental funds. This information can be found on Exhibit A-14, Exhibit A-15, Exhibit B-1, Exhibit B-2 and Exhibit B-3 of this report.

Government-Wide Financial Analysis

As discussed earlier, net assets over time may serve as a useful indicator of the City of Auburn Hill's financial position. Assets of the City of Auburn Hills exceeded liabilities by \$155,643,266 at December 31, 2003.

The net assets for the City of Auburn Hills is comprised of \$20,876,151 in assets which are restricted for specific programs and functions, \$116,033,007 investment in capital assets (land, streets, water and sewer mains, etc.) net of any related debt that is still outstanding to purchase or construct these assets, and \$30,390,472 in unrestricted assets. The City utilizes the capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay the outstanding debt issued to purchase or construct these assets (\$24,114,055), must be provided from other sources, since the capital assets themselves cannot be sold and the proceeds used to liquidate the outstanding debt.

Statement of Net Assets-City of Auburn Hills⁽¹⁾

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and other assets-----	\$ 59,862,591	\$ 22,352,451	\$ 79,891,473
Capital assets -----	<u>72,785,531</u>	<u>65,047,962</u>	<u>140,147,062</u>
Total Assets	<u>132,648,122</u>	<u>87,400,413</u>	<u>220,048,535</u>
Long-term liabilities -----	9,236,276	14,671,335	23,907,611
Other liabilities -----	<u>26,529,929</u>	<u>2,311,365</u>	<u>28,841,294</u>
Total Liabilities	<u>35,766,205</u>	<u>16,982,700</u>	<u>52,748,905</u>
Net Assets:			
Invested in capital assets, net of related debt-----	63,834,274	52,198,733	116,033,007
Restricted-----	20,876,151		20,876,151
Unrestricted -----	<u>12,171,492</u>	<u>18,218,980</u>	<u>30,390,472</u>
Total Net Assets-	<u>\$ 96,881,917</u>	<u>\$ 70,417,713</u>	<u>\$167,299,630</u>

A portion of the City of Auburn Hill's net assets (12.5%) represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net assets (\$30,390,472) may be used to meet the government's obligations to citizens and creditors.

At the end of 2003, the City of Auburn Hills is able to report positive balances in both categories of net assets, for the City as a whole, but also for both the governmental and business-type activities. This was also the case at the end of 2002.

The City's total net assets increased by \$5,190,769. This net increase is attributable to the use of current resources to liquidate long-term liabilities of the City and the results of on-going operations. The increase in the net assets of the governmental activities was \$6,392,177 while the business-type activities realized a decrease in total net assets of \$1,201,408. Detailed on the following page is a summary of the changes in the City's net assets:

City of Auburn Hill's Change in Net Assets⁽¹⁾

	Governmental Activities	Business-Type Activities	Total
<u>Revenues</u>			
Program Revenues:			
Charges for services-----	\$ 1,943,576	\$ 9,204,324	\$ 11,147,900
Operating grants and contributions-----	1,436,449		1,436,449
Capital grants and contributions-----	464,904	2,023,643	2,488,547
General Revenues:			
Taxes-----	18,612,560	704,774	19,317,334
State shared revenues-----	1,714,167		1,714,167
Use of money and investments-----	882,872	212,897	1,095,769
Other unrestricted revenues-----	1,753,774	451,240	2,205,014
Extraordinary Item - Reduction in MTT liability-----	1,379,179		1,379,179
Loss on disposal of property-----		(5,036)	(5,036)
Total revenues	<u>28,187,481</u>	<u>12,591,842</u>	<u>40,779,323</u>
<u>Expense</u>			
Legislative-----	25,668		25,668
Management and planning-----	1,958,904		1,958,904
Public safety-----	11,511,075		11,511,075
Streets, highways, & public improve.--	4,521,214		4,521,214
Community & economic dev.-----	2,103,326		2,103,326
General support-----	1,058,168		1,058,168
Interest on long-term debt-----	551,897		551,897
Water-----		5,740,484	5,740,484
Sewer-----		5,828,107	5,828,107
Fieldstone Golf Club-----		<u>2,289,711</u>	<u>2,289,711</u>
Total expenses	<u>21,730,252</u>	<u>13,858,302</u>	<u>35,588,554</u>
Increase in net assets before transfers	6,457,229	(1,266,460)	5,190,769
Transfers-----	<u>(65,052)</u>	<u>65,052</u>	<u>0</u>
Increase in net assets	<u>6,392,177</u>	<u>(1,201,408)</u>	<u>5,190,769</u>
Net assets December 31, 2002-----	<u>90,489,740</u>	<u>71,619,121</u>	<u>162,108,861</u>
Net assets December 31, 2003	<u>\$96,881,917</u>	<u>\$70,417,713</u>	<u>\$167,299,630</u>

⁽¹⁾Because this is the first year of the implementation of GASB-34 requirements, comparable data from previous years is not available in the listed format. Comparison to previous fiscal year data will be included in future reports.

Governmental Activities. Governmental activities increased the City of Auburn Hill's net assets by \$6,392,177. The key elements affecting this change are as follows:

- The City of Auburn Hills spent a total of \$5,957,049 on purchase or construction of governmental activities capital assets during 2003. Under the previous accounting methodologies, this amount would have been a use of current resources and a corresponding reduction in fund balance. GASB-34 provisions require that these assets be capitalized which results in no reduction in total assets. However, the cost of these assets are then allocated to the fiscal periods benefiting from their acquisition through the recording of depreciation expense. Recording this expense reduced total assets by \$2,414,655.
- The City made total long-term debt principal repayments totaling \$2,318,598 including calling all of the \$775,000 in remaining bonds on the Series 1991 Street Improvement bonds. Previously this would have been recorded as an expenditure reducing net assets.
- Property taxes increased by \$1,053,287 from \$17,562,609 to \$18,615,896 or an increase of 6.0%. All of this increase is attributable to increased property values or new construction considering the millage rate decreased slightly from 2001 to 2002.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF AUBURN HILLS

Business-Type Activities. Business-type activities decreased the City of Auburn Hill's net assets \$1,201,408. Key elements of this decrease are as follows:

- The water, sewer, and Fieldstone Golf Club incurred operating losses in the amount of \$1,958,554, \$1,923,531, and \$71,612 respectively. These operating losses were the result of charges for water, sewer and golf services not covering the direct operating costs of providing these services.

Financial Analysis of the Government's Funds

As noted earlier, the City of Auburn Hill's uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Auburn Hill's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements and ability to meet financial demands as they occur. In particular, unreserved fund balance may serve as a useful measure of government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Auburn Hill's governmental funds reported combined ending fund balances of \$19,178,425, a decrease of \$3,002,844 from the 2002 balance of \$22,181,269. This is a decrease of 13.5%. Approximately 97.4% of the total fund balance, or \$18,679,973, constitutes unreserved fund balance which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for a variety of other restricted purposes.

The general fund is the chief operating fund of the City of Auburn Hills. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,842,700, while total fund balance was \$2,275,116. Unreserved fund balance represents 15.5% of total general fund expenditures while total fund balance represents 19.2% of total general fund expenditures.

The fund balance of the City of Auburn Hills' general fund decreased by \$1,001,588 when comparing it to the balance at December 31, 2002. The key factors in this decrease are as follows:

- Employer pension contributions and medical insurance costs rose at a higher than anticipated rate during 2003.
- The City made a \$2,100,000 transfer to the Street Improvement fund to partially fund the reconstruction of a major roadway through the City. This project has been completed and will not require any additional general fund transfers.
- The City made refunds from the general fund in the amount of \$466,619 for refunds to taxpayers who appealed their tax assessments. The balance of outstanding appeals dropped against the City dropped 87.4% from \$4,104,555 at the end of 2002 to \$518,564 at the end of 2003.

The fund balances in all other City of Auburn Hill's governmental funds decreased by \$2,001,256, from \$18,904,565 to \$16,903,309, a decrease of 10.6%. The key factor in this decrease is as follows:

- The City completed the re-paying of Auburn Road west of Churchill Road in the southwest portion of the City. This project, together with several smaller projects, reduced the fund balance in the Street Improvement fund by \$2,333,605 resulting in a deficit fund balance in this fund in the amount of \$592,142. Receipt of revenues billed to other governmental agencies for this paving will eliminate this deficit in 2004.

Proprietary Funds. The City of Auburn Hill's proprietary funds provide the same type of information found in the government-wide financial statements, but in greater detail.

Unrestricted net assets in the proprietary funds decreased a total of \$1,294,995.

The water, sewer, and Fieldstone Golf Club incurred operating losses in the amount of \$1,958,554, \$1,923,531, and \$71,612 respectively. These operating losses were the result of charges for water, sewer and golf services not covering the direct operating costs of providing these services.

General Fund Budgetary Highlights

- A number of general fund departments exceeded the final budget by small amounts. These excess expenditures over budget were generally due to the recording of the liability for accrued sick and vacation time after final year-end budget amendments were made. In total, general fund expenditures exceeded appropriations by \$109,844.

Capital Asset and Debt Administration

Capital Assets. The City of Auburn Hill's investment in capital assets for its governmental and business type activities as of December 31, 2003, amounts to \$116,033,007 (net of accumulated depreciation and related debt). This investment in capital assets includes water and sewer mains, office furniture and equipment, machinery and equipment, vehicles, buildings and improvements, roads, and storm drains.

Additional information regarding the City's capital assets can be found in Note E in Exhibit A-13 of this report.

Long-Term Debt. At the end of the current fiscal year, the City of Auburn Hills had total debt outstanding of \$24,632,619. The issues included \$1,360,000 of general obligation unlimited tax bond issues, \$22,550,000 of general obligation limited tax bond issues, and \$722,619 in land contracts, obligations to Oakland County, installment loans, and Michigan Tax Tribunal property tax appeals.

Total indebtedness of the City decreased \$6,733,942 from \$31,366,561 to \$24,632,619. This decrease resulted from principal payments of \$3,147,951 on outstanding bonds and other installment loans, payments of \$2,206,812 for MTT appeals, and an additional reduction of \$1,379,179 in the MTT liability. There was no new debt issued by the City in 2003.

The City has an A+ and A rating from Standard & Poor's Corporation and a A1 and A2 from Moody's Investors Service on general obligation unlimited tax bond issues and on issues with tax limitations, respectively.

The City debt limit, as defined by statute, is ten percent (10%) of equalized property values or \$233,024,579. Total City long-term debt was \$24,632,619 at December 31, 2003. Of this amount, \$18,010,000 is subject to the debt limit. Currently the City is utilizing only 7.7% of its total debt capacity per state statute.

Additional information on the City of Auburn Hill's long-term debt can be found in Note F of Exhibit A-13 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Auburn Hills at the end of 2003 was 4.1% which was an increase from the 2002 level of 3.7%. Although the increase in unemployment reflected the national trend, it was still very low for the region.
- The government expects to see reduced funding from the State of Michigan due to continuing budget problems at the State level.
- The City continues to experience significant increases in the cost of pension contributions and medical insurance rates due to the depressed stock market and the increasing costs of medical care respectively. These factors were considered in the 2004 budget process as well as negotiations with union bargaining groups of the City.
- The approved 2004 City of Auburn Hill's budget projected the general fund fund balance to increase by \$118,739 during 2004. Due to the significant reduction in general fund fund balance during 2003, the City Council has approved reductions of \$432,023 in the 2004 budget to offset this reduction.

Request for Information

This financial report is designed to provide a general overview of the City of Auburn Hill's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Office, City of Auburn Hills, 1827 N. Squirrel Rd., Auburn Hills, Michigan 48326.

BASIC FINANCIAL STATEMENTS



GOVERNMENT-WIDE STATEMENT OF NET ASSETS
DECEMBER 31, 2003

CITY OF AUBURN HILLS

Exhibit A-1

	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents (Note C and M).....	\$ 24,187,357	\$ 18,076,225	\$ 42,263,582	\$ 8,359,174
Receivables:				
Due from other governmental units.....	2,016,844	300,695	2,317,539	
Taxes.....	19,494,643		19,494,643	5,669,875
Accounts.....	696,452	1,454,401	2,150,853	
Special Assessments.....	5,768,000	41,302	5,809,302	
Accrued interest.....		29,213	29,213	
Prepayments.....	498,452		498,452	
Internal Balances.....	3,144	(3,144)	0	
Inventories.....		140,190	140,190	
Capital assets (net of accum. deprec.): (Note E and Note M)				
Depreciable assets:				
Water and sewer mains.....		50,269,476	50,269,476	
Office furniture & equipment.....	266,575		266,575	
Machinery & equipment.....	732,681	1,095,641	1,828,322	
Vehicles.....	1,278,980	317,902	1,596,882	
Buildings & improvements.....	11,084,016	4,967,447	16,051,463	11,181,959
Roads.....	49,832,710		49,832,710	18,179,695
Storm drains.....	4,963,864		4,963,864	
Non-depreciable assets:				
Land & improvements.....	4,626,705	8,397,496	13,024,201	6,105,029
Unamortized discount & issuance costs.....		2,313,569	2,313,569	
Pension Asset (Note I).....	7,197,699		7,197,699	
TOTAL ASSETS	132,648,122	87,400,413	220,048,535	49,495,732
LIABILITIES				
Accounts Payable.....	2,771,518	1,557,737	4,329,255	1,151,630
Accrued payroll and other liabilities.....	230,403		230,403	
Due to other governmental units.....	3,805		3,805	4,393,326
Deposits payable.....	2,589,618		2,589,618	
Unearned revenue (Note D).....	19,494,643		19,494,643	5,671,475
Accrued interest payable.....	98,416		98,416	
Other liabilities.....		141,411	141,411	
Non-current liabilities:			0	
Current portion of long-term debt (Note F)...	1,298,066	607,479	1,905,545	
Long-term debt (net of current portion) (Note F and Note M).....	8,171,755	14,555,319	22,727,074	229,968
Compensated Absences (current).....	509,258	65,938	575,196	
Comp. Absences (net of current).....	598,723	54,816	653,539	
TOTAL LIABILITIES	35,766,205	16,982,700	52,748,905	11,446,399
NET ASSETS				
Invested in cap. assets (net of related debt)....	63,834,274	52,198,733	116,033,007	35,466,683
Restricted assets (Note B).....	20,876,151		20,876,151	2,582,650
Unrestricted.....	12,171,492	18,218,980	30,390,472	
TOTAL NET ASSETS	\$ 96,881,917	\$ 70,417,713	\$ 167,299,630	\$ 38,049,333

See Exhibit A-13, Notes to Financial Statements

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003

CITY OF AUBURN HILLS

Exhibit A-2

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
Legislative.....	\$ 25,668			
Management and planning.....	1,958,904	\$ 55,966		
Public safety.....	11,511,075	663,336	\$ 35,344	\$ 20,674
Streets, highways, & public improvements.....	4,521,214		1,239,884	444,230
Community and economic development.....	2,103,326	1,224,274	161,221	
General support.....	1,058,168			
Interest on long-term debt.....	551,897			
Total Governmental Activities	21,730,252	1,943,576	1,436,449	464,904
Business-type activities:				
Water.....	5,740,484	3,816,843		602,538
Sewer.....	5,828,107	3,911,956		1,421,105
Fieldstone Golf Club.....	2,289,711	1,475,525		
Total Business-Type Activities	13,858,302	9,204,324	0	2,023,643
Total Primary Government	\$ 35,588,554	\$ 11,147,900	\$ 1,436,449	\$ 2,488,547
Component units:				
TIFA 85-A.....	\$ 1,101,643			
TIFA 85-B.....	336,813			
TIFA 86-D.....	597,920			
Brownfield Authority.....	130,007			
Economic Development Corporation.....	735			
Total Component Units	\$ 2,167,118	\$ 0	\$ 0	\$ 0

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>	<u>Component Units</u>
	\$ (25,668)		\$ (25,668)	
	(1,902,938)		(1,902,938)	
	(10,791,721)		(10,791,721)	
	(2,837,100)		(2,837,100)	
	(717,831)		(717,831)	
	(1,058,168)		(1,058,168)	
	(551,897)		(551,897)	
	<u>(17,885,323)</u>		<u>(17,885,323)</u>	
		\$ (1,321,103)	(1,321,103)	
		(495,046)	(495,046)	
		(814,186)	(814,186)	
	<u>0</u>	<u>(2,630,335)</u>	<u>(2,630,335)</u>	
	<u>(17,885,323)</u>	<u>(2,630,335)</u>	<u>(20,515,658)</u>	
				\$ (1,101,643)
				(336,813)
				(597,920)
				(130,007)
				(735)
	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,167,118)</u>
General Revenues:				
Taxes.....	18,612,560	704,774	19,317,334	5,984,808
State shared revenues.....	1,714,167		1,714,167	
Use of money and investments.....	882,872	212,897	1,095,769	81,134
Loss on disposal of property.....		(5,036)	(5,036)	(28,835)
Other general revenues:				
Landfill proceeds.....	614,715		614,715	
Franchise fees.....	161,775		161,775	
Cellular lease.....	106,178		106,178	
Road-paving reimbursement.....	250,000		250,000	
Other general revenues.....	621,106	451,240	1,072,346	
Transfers.....	(65,052)	65,052	0	
Extraordinary item-reduction in MTT liability.....	1,379,179		1,379,179	(644,556)
Total General Revenues, Transfers and and Extraordinary Item	<u>24,277,500</u>	<u>1,428,927</u>	<u>25,706,427</u>	<u>5,392,551</u>
Change in net assets.....	6,392,177	(1,201,408)	5,190,769	3,225,433
Net assets-beginning (as adjusted, See Note N).....	<u>90,489,740</u>	<u>71,619,121</u>	<u>162,108,861</u>	<u>34,823,900</u>
Net Assets-ending.....	<u>\$ 96,881,917</u>	<u>\$ 70,417,713</u>	<u>\$ 167,299,630</u>	<u>\$ 38,049,333</u>

BALANCE SHEET-GOVERNMENTAL FUNDS
DECEMBER 31, 2003

CITY OF AUBURN HILLS

Exhibit A-3

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Police</u>
<u>ASSETS</u>				
Cash and cash equivalents (Note C).....	\$ 2,833,487	\$ 628,399	\$ 496,045	\$ 13,417,617
Receivables:				
Due from other governmental units.....	619,553	144,790	45,469	
Taxes.....	4,018,702			10,858,433
Due from other funds (Note G).....	1,298,334			
Accounts.....	423,419			122,157
Special Assessments.....				
Prepays.....	432,416			
TOTAL ASSETS	\$ 9,625,911	\$ 773,189	\$ 541,514	\$ 24,398,207
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES				
Accounts Payable.....	\$ 483,070	\$ 134,566	\$ 27,106	\$ 776,447
Accrued payroll and other liabilities.....	73,665	5,478	3,650	100,948
Due to other governmental units.....	3,805			
Due to other funds (Note G).....	924,911	26,458	13,767	501,685
Deposits payable.....	1,678,642	476,527	318,840	
Deferred revenue (Note D).....	4,186,702			10,977,583
TOTAL LIABILITIES	7,350,795	643,029	363,363	12,356,663
FUND BALANCES				
Fund balances-Reserved for:				
Prepayments.....	432,416			
Fund balances-Unreserved:				
Designated for subsequent year's budget:				
Reported in special revenue funds.....				
Reported in debt service funds.....				
Reported in capital project funds.....				
Undesignated:				
Reported in general fund.....	1,842,700			
Reported in special revenue funds.....		130,160	178,151	12,041,544
Reported in debt service funds.....				
Reported in capital project funds.....				
TOTAL FUND BALANCES	2,275,116	130,160	178,151	12,041,544
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,625,911	\$ 773,189	\$ 541,514	\$ 24,398,207

<u>Fire</u>	<u>Brown Rd. Spec. Assess.</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
\$ 1,894,257	\$ 204,163	\$ 4,042,180	\$ 23,516,148
		1,207,032	2,016,844
3,193,471		1,424,037	19,494,643
		1,172,527	2,470,861
2,900		147,976	696,452
	5,768,000		5,768,000
66,036			498,452
<u>\$ 5,156,664</u>	<u>\$ 5,972,163</u>	<u>\$ 7,993,752</u>	<u>\$ 54,461,400</u>
\$ 207,317		\$ 1,019,683	\$ 2,648,189
43,085		590	227,416
			3,805
145,507		1,942,787	3,555,115
3,673		111,936	2,589,618
<u>3,193,471</u>	<u>\$ 5,768,000</u>	<u>2,133,076</u>	<u>26,258,832</u>
3,593,053	5,768,000	5,208,072	35,282,975
66,036			498,452
		192,750	192,750
		128,954	128,954
		719,899	719,899
			1,842,700
1,497,575		2,078,022	15,925,452
	204,163	202,181	406,344
		(536,126)	(536,126)
<u>1,563,611</u>	<u>204,163</u>	<u>2,785,680</u>	<u>19,178,425</u>
<u>\$ 5,156,664</u>	<u>\$ 5,972,163</u>	<u>\$ 7,993,752</u>	<u>\$ 54,461,400</u>

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
DECEMBER 31, 2003**

CITY OF AUBURN HILLS

Exhibit A-4

Total fund balances of governmental funds (See Exhibit A-3) \$ 19,178,425

Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds.

Office furniture & equipment.....	\$ 295,575	
Machinery & equipment.....	703,681	
Vehicles.....	1,278,980	
Buildings & improvements.....	11,084,016	
Land & improvements.....	4,626,705	
Streets.....	49,832,710	
Storm drains.....	<u>4,963,864</u>	72,785,531

Allocation of Internal Service Funds to Governmental activities:

Fleet Management (exclusive of Fleet Management capital assets).....	524,310
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Long-term liabilities are not due and payable in the current period and
therefore are not reported in the funds.

Governmental obligation loans payable.....	8,835,000	
Installment loans payable.....	63,578	
Land contract payable.....	52,679	
Accrued interest payable.....	98,416	
Tax tribunal cases.....	<u>518,564</u>	(9,568,237)

Other long-term assets are not available to pay for current period
expenditures and therefore are not reported in the funds.

Special assessments receivable.....	5,768,000	
Police department receivables for fines and services rendered.....	119,150	
Grant receivables.....	6,489	
Receivables from other governmental units.....	702,550	
Other receivables.....	<u>168,000</u>	6,764,189

Record Pension Asset.....	<u>7,197,699</u>
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Net assets of governmental activities	<u>96,881,017</u>
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**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCES--GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

CITY OF AUBURN HILLS

Exhibit A-5

	<u>General</u>	<u>Major Streets</u>
REVENUE		
Property taxes.....	\$ 3,997,608	
Special assessments.....		
Licenses and permits.....	673,116	
Charges for services.....	447,298	
Fines and forfeitures.....		
Federal sources.....		
State sources.....	1,781,466	\$ 942,963
Use of money and property.....	727,731	2,421
Administrative and interfund charges.....	2,815,181	
Other.....	388,029	116
TOTAL REVENUE	<u>10,830,429</u>	<u>945,500</u>
EXPENDITURES		
Current operations:		
Legislative.....	279,303	
Management and planning.....	3,253,992	
Public safety.....		
Streets, highways, & public improvements.....	208,635	1,376,630
Community and economic development.....	1,964,062	
General support.....	2,365,671	
Capital outlay.....	105,441	
Debt service:		
MTT refunds.....	466,619	
Principal payments.....	17,612	
Interest.....	6,542	
TOTAL EXPENDITURES	<u>8,667,877</u>	<u>1,376,630</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>2,162,552</u>	<u>(431,130)</u>
OTHER FINANCING SOURCES (USES)		
General fund transfers.....	(3,200,000)	500,000
Transfers in from other funds.....	35,860	
Transfers out to other funds.....		(65,052)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,164,140)</u>	<u>434,948</u>
REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(1,001,588)</u>	<u>3,818</u>
Fund balance at beginning of year.....	3,276,704	126,342
FUND BALANCE AT END OF YEAR	<u>\$ 2,275,116</u>	<u>\$ 130,160</u>

See Exhibit A-13, Notes to Financial Statements

<u>Local Streets</u>	<u>Police</u>	<u>Fire</u>	<u>Brown Rd Spec. Assess Debt</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
	\$ 10,261,499	\$ 3,017,894		\$ 1,338,895	\$ 18,615,896
			\$ 343,000		343,000
	14,000			36,650	723,766
	292,860	144,572		454,480	1,339,210
	219,605			10,765	230,370
	8,531			113,648	122,179
\$ 287,050	16,560	18,784		95,501	3,142,324
3,330	236,328	21,028	345,521	29,963	1,366,322
	104,123				2,919,304
1,400	137,701	36,634		1,228,966	1,792,846
<u>291,780</u>	<u>11,291,207</u>	<u>3,238,912</u>	<u>688,521</u>	<u>3,308,868</u>	<u>30,595,217</u>
					279,303
				383,478	3,637,470
	8,506,212	2,888,902		6,373	11,401,487
719,148			137	396,563	2,701,113
				123,081	2,087,143
					2,365,671
	166,814	96,440		5,588,354	5,957,049
	1,199,600	352,807		187,786	2,206,812
		120,986	375,000	1,805,000	2,318,598
		7,224	319,094	245,503	578,363
<u>719,148</u>	<u>9,872,626</u>	<u>3,466,359</u>	<u>694,231</u>	<u>8,736,138</u>	<u>33,533,009</u>
<u>(427,368)</u>	<u>1,418,581</u>	<u>(227,447)</u>	<u>(5,710)</u>	<u>(5,427,270)</u>	<u>(2,937,792)</u>
425,000				2,275,000	0
				1,000,000	1,035,860
	(500,000)			(535,860)	(1,100,912)
<u>425,000</u>	<u>(500,000)</u>	<u>0</u>	<u>0</u>	<u>2,739,140</u>	<u>(65,052)</u>
(2,368)	918,581	(227,447)	(5,710)	(2,688,130)	(3,002,844)
<u>180,519</u>	<u>11,122,963</u>	<u>1,791,058</u>	<u>209,873</u>	<u>5,473,810</u>	<u>22,181,269</u>
<u>\$ 178,151</u>	<u>\$ 12,041,544</u>	<u>\$ 1,563,611</u>	<u>\$ 204,163</u>	<u>\$ 2,785,680</u>	<u>\$ 19,178,425</u>

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003
CITY OF AUBURN HILLS**

Exhibit A-6

Net change in fund balance-total governmental funds (See Exhibit A-5) \$ (3,002,844)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlay as expenditures. However, in the Statement
of Activities the cost of assets is allocated over their useful lives and reported as
depreciation expense. Details of the adjustments are:

Capital outlay.....	5,957,049
Depreciation expense.....	(2,414,655)

The payment of principal on long-term debt consumes current financial resources of the
of the governmental funds. However, on the Statement of Net Assets, repayment of
principal is recorded as a reduction to long-term debt payable and does not have
any effect on net assets.

Long-term debt principal repayment.....	2,318,598
MTT Refunds.....	2,206,812

The activities of the internal service funds are considered part of the governmental activities on the Government-Wide Statements but are not reported in the governmental funds.....	249,729
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Reduction in liability for the MTT Appeals.....	1,379,179
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.....	(199,836)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.....	26,466
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Certain revenues reported in the Statement of Activities do not provide current financial resources and therefore are not reported as revenues in the governmental funds.....	(128,392)
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Change in net assets of governmental activities \$ 6,392,177

See Exhibit A-13, Notes to Financial Statements

STATEMENT OF NET ASSETS -- PROPRIETARY FUNDS
DECEMBER 31, 2003

CITY OF AUBURN HILLS

Exhibit A-7

	<u>Enterprise</u>	
	<u>Water</u>	<u>Sewer</u>
ASSETS		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents.....	\$ 1,454,487	\$ 16,304,182
Receivables:		
Accounts.....	630,304	824,097
Other governmental units.....	300,695	
Special assessments.....	22,446	18,856
Due from other funds (Note G).....	563,816	1,450,170
Accrued interest.....	15,237	13,976
Inventories.....	87,692	
TOTAL CURRENT ASSETS	3,074,677	18,611,281
<u>LAND, BUILDINGS AND EQUIPMENT</u>		
Water and sewer mains.....	27,598,497	30,557,278
Land and improvements.....		
Facilities.....		
Vehicles.....		
Other equipment.....	2,043,295	50,816
TOTAL CAPITAL ASSETS	29,641,792	30,608,094
Less: Allowance for depreciation.....	3,615,687	5,364,109
TOTAL CAPITAL ASSETS NET OF DEPRECIATION	26,026,105	25,243,985
Other non-current assets - unamortized discount & bond issuance costs.....		
TOTAL FOR NON-CURRENT ASSETS	26,026,105	25,243,985
TOTAL ASSETS	29,100,782	43,855,266
<u>CURRENT LIABILITIES</u>		
Current portion of long-term debt.....		
Accounts payable.....	578,027	889,658
Due to other funds (Note G).....	79,271	23,777
Other liabilities.....	12,692	3,966
TOTAL CURRENT LIABILITIES	669,990	917,401
LONG TERM DEBT-Net of current portion.....		
TOTAL LIABILITIES	669,990	917,401
<u>NET ASSETS:</u>		
Invested in capital assets net of related debt.....	26,026,105	25,243,985
Unrestricted.....	2,404,687	17,693,880
TOTAL NET ASSETS	\$ 28,430,792	\$ 42,937,865

Funds			
	Fieldstone Golf Club	Total	Internal Service
	\$ 66,014	\$ 17,824,683	\$ 922,751
		1,454,401	
		300,695	
		41,302	
		2,013,986	1,228,735
		29,213	
	52,498	140,190	
	118,512	21,804,470	2,151,486
		58,155,775	
	8,397,496	8,397,496	
	6,080,085	6,080,085	
	17,105	2,111,216	2,813,683
	14,494,686	74,744,572	761,052
			3,574,735
	1,127,942	10,107,738	2,066,561
	13,366,744	64,636,834	1,508,174
	2,313,569	2,313,569	
	15,680,313	66,950,403	
	15,798,825	88,754,873	3,659,660
	607,479	607,479	
	43,833	1,511,518	169,548
	2,027,121	2,130,169	28,298
	123,633	140,291	1,232,842
	2,802,066	4,389,457	1,430,688
	14,555,319	14,555,319	
	17,357,385	18,944,776	1,430,688
	(1,796,054)	49,474,036	1,508,174
	237,494	20,336,061	720,798
	\$ (1,558,560)		\$ 2,228,972

Amounts reported for business-type activities in the statement of net assets are difference because:

Allocation of internal service fund (Fleet Management fund) to business-type activities.....	607,616
Net assets of business-type activities	\$ 70,417,713

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS -- PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

CITY OF AUBURN HILLS

Exhibit A-8

	Enterprise	
	Water	Sewer
<u>OPERATING REVENUE</u>		
Water charges.....	\$ 3,360,128	
Sewer Charges.....		\$ 3,608,247
Water Connection Charges.....	190,207	
Hydrant and equipment rental.....	59,388	
Vehicle rental fees.....		
Green fees.....		
Golf cart rentals.....		
Practice range fees.....		
Merchandise sales.....		
Food & beverage sales.....		
Other operating income.....	254,370	303,709
TOTAL OPERATING REVENUE	3,864,093	3,911,956
<u>OPERATING EXPENSES</u>		
Salaries and wages.....	566,069	201,493
Fringe benefits.....	398,172	93,765
Supplies.....	167,314	18,058
Contracted services.....	1,216,054	1,587,100
Other operating expenses.....	601,096	297,627
Administrative charges.....	523,660	312,158
Cost of water and sewage disposal.....	1,720,070	3,013,965
Depreciation and amortization.....	630,212	311,321
TOTAL OPERATING EXPENSES	5,822,647	5,835,487
TOTAL OPERATING INCOME (LOSS)	(1,958,554)	(1,923,531)
<u>NONOPERATING REVENUE (EXP.)</u>		
Interest earned.....	62,265	146,434
Interest expense.....	(9,702)	(9,705)
Property taxes.....		
Loss on disposal of fixed assets.....	(5,036)	
Other income.....	209,245	212,563
TOTAL NONOPERATING REVENUE (EXPENSE)	256,772	349,292
INCOME (LOSS) BEFORE OPERATING TRANSFERS & CAPITAL CONTRIBUTIONS	(1,701,782)	(1,574,239)
<u>CAPITAL CONTRIBUTIONS</u>		
Capital and lateral charges.....	273,378	1,255,965
Developer contributions.....	329,160	165,140
TOTAL CAPITAL CONTRIBUTIONS	602,538	1,421,105
LOSS BEFORE OPERATING TRANSFERS	(1,099,244)	(153,134)
<u>OPERATING TRANSFERS</u>		
Transfers-in.....	32,526	32,526
TOTAL OPERATING TRANSFERS	32,526	32,526
CHANGE IN NET ASSETS	(1,066,718)	(120,608)
Net assets (accumulated deficit)-beginning of year.....	29,497,510	43,058,473
NET ASSETS (ACCUMULATED DEFICIT) AT END OF YEAR	\$ 28,430,792	\$ 42,937,865

See Exhibit A-13, Notes to Financial Statements

Funds			
	Fieldstone Golf Club	Total	Internal Service
		\$ 3,360,128	
		3,608,247	
		190,207	
		59,388	\$ 1,113,440
			508,900
	\$ 1,197,416	1,197,416	
	6,645	6,645	
	51,409	51,409	
	70,877	70,877	
	145,944	145,944	
	3,234	561,313	79,740
	1,475,525	9,251,574	1,702,080
	211,887	979,449	241,872
	60,430	552,367	126,884
	174,151	359,523	217,589
	643,672	3,446,826	73,578
	38,949	937,672	274,799
		835,818	
		4,734,035	
	418,048	1,359,581	516,668
	1,547,137	13,205,271	1,451,390
	(71,612)	(3,953,697)	250,690
	1,743	210,442	9,005
	(742,574)	(761,981)	
	704,774	704,774	
		(5,036)	
		421,808	83,621
	(36,057)	570,007	92,626
	(107,669)	(3,383,690)	343,316
		1,529,343	
		494,300	
	0	2,023,643	0
	(107,669)	(1,360,047)	343,316
		65,052	
	0	65,052	0
	(107,669)	(1,294,995)	343,316
	(1,450,891)		1,885,656
	\$ (1,558,560)		\$ 2,228,972

Amounts reported for business-type activities in the statement of activities are different because the business-type activities of the internal service fund have been added to these activities.....

93,587

Change in net assets of business-type activities

\$ (1,201,408)

STATEMENT OF CASH FLOWS -- PROPRIETARY FUNDS
DECEMBER 31, 2003

CITY OF AUBURN HILLS

Exhibit A-9

	<u>Enterprise</u>	
	<u>Water</u>	<u>Sewer</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers.....	\$ 3,308,668	\$ 3,707,505
Cash payments for goods and services.....	(3,626,531)	(5,109,224)
Cash payments to employees.....	(990,291)	(304,748)
Other operating expenses.....	(601,097)	(297,627)
Other operating income.....	254,370	303,709
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(1,654,881)	(1,700,385)
<u>CASH FLOWS FROM NONCAPITAL</u>		
<u>FINANCING ACTIVITIES</u>		
Operating transfers in	32,526	32,526
Other nonoperating receipts.....	212,562	212,563
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	245,088	245,089
<u>CASH FLOWS FROM CAPITAL AND</u>		
<u>RELATED FINANCING ACTIVITIES</u>		
Principal paid on long term debt.....	(162,500)	(162,500)
Interest paid on long term debt.....	(9,702)	(9,705)
Capital and lateral charges.....	273,378	1,255,965
Purchase of capital assets.....	(274,281)	(98,622)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(173,105)	985,138
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest received on investments.....	62,265	146,434
NET CASH PROVIDED BY INVESTING ACTIVITIES	62,265	146,434
Net decrease in cash and cash equivalents.....	(1,520,633)	(323,724)
Cash and cash equivalents-Beginning of year.....	2,975,120	16,627,906
Cash and cash equivalents-end of year.....	\$ 1,454,487	\$ 16,304,182
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH		
PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating income (loss).....	\$ (1,958,554)	\$ (1,923,531)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED		
BY (USED FOR) OPERATING ACTIVITIES		
Depreciation and amortization expense	630,212	311,321
Decrease (increase) in accounts receivable	(295,945)	50,349
Decrease (increase) in special assessments receivable	(5,111)	48,909
Decrease (increase) in inventory	(14,887)	0
Decrease (increase) in due from other funds	0	0
Increase (decrease) in accounts payable	25,750	(180,763)
Increase (decrease) in due to other funds	(10,295)	2,820
Increase (decrease) in accrued payroll and other liabilities	(26,051)	(9,490)
Total Adjustments	303,673	223,146
Net cash provided by (used in) operating activities	\$ (1,654,881)	\$ (1,700,385)

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended December 31, 2003, developers contributed \$494,300 of mains to the City, of which \$329,160 were water mains while the remaining \$165,140 were sewer mains.

Funds

Fieldstone			
Golf		Total	Internal
Club			Service
\$ 1,475,525	\$ 8,491,698	\$ 1,622,340	
(906,735)	(9,642,490)	(290,217)	
(273,255)	(1,568,294)	(295,998)	
	(898,724)	(274,799)	
	558,079		
295,535	(3,059,731)	761,326	
	65,052		
704,774	1,129,899	64,816	
704,774	1,194,951	64,816	
(504,352)	(829,352)		
(742,574)	(761,981)		
	1,529,343		
	(372,903)	(982,510)	
(1,246,926)	(434,893)	(982,510)	
1,743	210,442	9,005	
1,743	210,442	9,005	
(244,874)	(2,089,231)	(147,363)	
310,888	19,913,914	1,070,114	
\$ 66,014	\$ 17,824,683	\$ 922,751	
\$ (71,612)	(3,953,697)	250,690	
418,048	1,359,581	516,668	
	(245,596)		
	43,798		
(30,780)	(45,667)		
0	0	(79,740)	
(9,537)	(164,550)	(1,239)	
(6,180)	(13,655)	2,189	
(4,404)	(39,945)	72,758	
367,147	893,966	510,636	
\$ 295,535	\$ (3,059,731)	761,326	

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

CITY OF AUBURN HILLS

Exhibit A-10

	Agency Fund
<u>ASSETS</u>	
Cash and cash equivalents (Note C).....	\$ 6,437,318
<u>LIABILITIES</u>	
Due to other governmental units.....	\$ 95,031
Undistributed tax collections.....	6,342,287
TOTAL LIABILITIES	\$ 6,437,318

See Exhibit A-13, Notes to Financial Statements

STATEMENT OF NET ASSETS -- COMPONENT UNITS
DECEMBER 31, 2003

CITY OF AUBURN HILLS

Exhibit A-11

	<u>TIFA 85-A</u>	<u>TIFA 85-B</u>
<u>ASSETS</u>		
Cash and cash equivalents (Note M).....	\$ 3,489,160	\$ 1,756,224
Receivables:		
Taxes.....	998,195	1,479,879
Land (Note M).....	4,087,818	
Buildings & Improvements (Note M).....		
Construction in progress (Note M).....		
Roads and other infrastructure (Note M).....	15,733,615	1,814,793
TOTAL ASSETS	<u>24,308,788</u>	<u>5,050,896</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>LIABILITIES</u>		
Accounts payable.....	139,922	180,814
Due to other governmental units.....	3,265,086	1,094,474
Unearned revenue.....	998,195	1,479,879
Long-term debt (Note M).....		
TOTAL LIABILITIES	<u>4,403,203</u>	<u>2,755,167</u>
<u>NET ASSETS</u>		
Investment in capital assets-net of related debt.....	19,821,432	1,814,793
Restricted for programs.....	84,153	480,936
TOTAL NET ASSETS	<u>\$ 19,905,585</u>	<u>\$ 2,295,729</u>

See Exhibit A-13, Notes to Financial Statements

<u>TIFA 86-D</u>	<u>Brownfield Authority</u>	<u>Economic Development Corporation</u>	<u>Total</u>
\$ 2,942,327	\$ 163,217	\$ 8,246	\$ 8,359,174
2,693,785	498,016		5,669,875
2,017,211			6,105,029
9,476,647			9,476,647
1,705,312			1,705,312
631,287			18,179,695
<u>19,466,569</u>	<u>661,233</u>	<u>8,246</u>	<u>49,495,732</u>
830,894			\$ 1,151,630
33,766			4,393,326
2,693,785	498,016	1,600	5,671,475
229,968			229,968
<u>3,788,413</u>	<u>498,016</u>	<u>1,600</u>	<u>11,446,399</u>
13,830,458			35,466,683
1,847,698	163,217	6,646	2,582,650
<u>\$ 15,678,156</u>	<u>\$ 163,217</u>	<u>\$ 6,646</u>	<u>\$ 38,049,333</u>

STATEMENT OF ACTIVITIES
 COMPONENT UNITS
 FOR THE YEAR ENDED DECEMBER 31, 2003

CITY OF AUBURN HILLS

Exhibit A-12

<u>COMPONENT UNITS</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
TIFA 85-A.....	\$ 1,101,643		
TIFA 85-B.....	336,813		
TIFA 86-D.....	597,920		
Brownfield Authority.....	130,007		
Economic Development Corporation.....	735		
TOTAL COMPONENT UNITS	\$ 2,167,118	\$ 0	\$ 0
General revenues			
Taxes.....			
Use of money and property.....			
Loss on disposal of property.....			
Transfers.....			
Extraordinary item-MTT increases.....			
Total General Revenues, Transfers and Extraordinary Item			
Change in Net Assets			
Net assets - beginning.....			
Net Assets -- Ending			

See Exhibit A-13, Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets

<u>TIFA 85-A</u>	<u>TIFA 85-B</u>	<u>TIFA 86-D</u>	<u>Brownfield Authority</u>	<u>Economic Development Corporation</u>	<u>Total</u>
\$ (1,101,643)	\$ (336,813)	\$ (597,920)	\$ (130,007)	\$ (735)	\$ (1,101,643) (336,813) (597,920) (130,007) (735)
<u>(1,101,643)</u>	<u>(336,813)</u>	<u>(597,920)</u>	<u>(130,007)</u>	<u>(735)</u>	<u>(2,167,118)</u>
\$ 1,136,682 31,227 (28,835) (150,000)	\$ 1,577,153 19,310 (400,000)	\$ 3,064,418 28,487 550,000 (644,556)	\$ 206,555 2,060	\$ 50	\$ 5,984,808 81,134 (28,835) 0 (644,556)
<u>989,074</u>	<u>1,196,463</u>	<u>2,998,349</u>	<u>208,615</u>	<u>50</u>	<u>5,392,551</u>
(112,569) 20,018,154	859,650 1,436,079	2,400,429 13,277,727	78,608 84,609	(685) 7,331	3,225,433 34,823,900
<u>\$ 19,905,585</u>	<u>\$ 2,295,729</u>	<u>\$ 15,678,156</u>	<u>\$ 163,217</u>	<u>\$ 6,646</u>	<u>\$ 38,049,333</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF AUBURN HILLS

Exhibit A-13

NOTE A – DESCRIPTION OF CITY OPERATIONS, REPORTING ENTITY, AND FUND TYPES

The City of Auburn Hills was incorporated in 1983 out of the former Pontiac Township. The City covers an area of approximately 17.5 square miles and provides services to its 19,837 residents (2000 U. S. Census of Population) in many areas including police and fire protection, street maintenance, water and sewer services, community enrichment and recreation services, as well as other general governmental functions. The City is governed by an elected, seven-member non-partisan Council. The Council elects one of its members to serve as mayor.

As required by generally accepted accounting principles, these financial statements present the financial position and results of operation of the City of Auburn Hills (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Blended Component Units:

The Auburn Hills Building Authority is a legally separate entity governed by a five-member Board that is appointed entirely by the City Council. It is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public facilities.

Discretely Presented Component Units:

The following component units are reported within the component unit column in the fund financial statements. They are reported in a separate column to emphasize that they are legally separate from the City.

The Tax Increment Finance Authorities (TIFAs) are governed by a seven-member Board. The Board is appointed by the Mayor and confirmed by the City Council. The City can significantly influence the operations of the TIFA Board since the City Council approves the TIFA budget's. The TIFAs were created to finance infrastructure improvements within certain boundaries of the City.

The Brownfield Authority is governed by a five-member Board. The Board is appointed by the Mayor and confirmed by the City Council. Since the City Council appoints the Brownfield Authority, the City can significantly influence the operations of the Authority. The five-member board is comprised of one member of the City Council and four citizens at-large. The Brownfield Authority was created to provide a means for financing remediation of Brownfield (environmentally contaminated) sites within the City.

The Economic Development Corporation (EDC) is governed by a nine-member Board. This Board is appointed by the Mayor and confirmed by the City Council. Accordingly, the City can significantly influence the operations of the Economic Development Corporation. The EDC was created to provide a means and method for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving or expanding within the City. The EDC may issue industrial revenue bonds as a means of providing financing for certain enterprises.

Although no separate financial statements are prepared for the component units, all financial information can be obtained from the City's Finance Department.

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Auburn Hills conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of significant accounting policies used by the City of Auburn Hills.

Government-Wide and Fund Financial Statements

During 2003, the City implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. The new standard requires government-wide and fund financial statements.

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by

a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds, and the component units even though the fiduciary fund statements are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, the fiduciary fund and the component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available for use. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. For this purpose, the City considers all revenues to be available if they are collected within 60 days of the end of the fiscal year. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, and interest associated with the current fiscal year. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability. Revenues which are considered measurable, but not available are recorded as a receivable and deferred revenue.

The City reports the following major governmental Funds:

- a. The General Fund is the general operating fund of the City. It is used to account for all financial resources of the City which are not required to be accounted for in other funds.
- b. The Major Streets fund is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for construction and maintenance of roads designated as major streets in the City.
- c. The Local Streets fund is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for construction and maintenance of roads designated as local streets in the City.
- d. The Police fund is used to account for the revenues and expenditures of the City of Auburn Hills Police Department. This fund is financed primarily through a separate millage specifically for Police services.
- e. The Fire fund is used to account for the revenues and expenditures of the City of Auburn Hills Fire Department. This fund is financed primarily through a separate millage specifically for Fire services.
- f. The Brown Road Special Assessment fund is used to account for the funding and payment of principal and interest on debt issued in 1999 for the paving of Brown Road adjacent to the Auburn Mile Development. Property tax special assessments are made to the business in this development.

Proprietary Funds are used to account for City operations which are similar to those often found in the private sector. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e. net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets.

The City reports the following major proprietary funds:

- a. The Water fund accounts for the operations of the City's water department which provides water services to all residents of the City on a user charge basis.
- b. The Sewer fund accounts for the operations of the City's Sewer Department which provides sewage disposal services to city residents on a user charge basis.

NOTES TO FINANCIAL STATEMENTS

CITY OF AUBURN HILLS

Exhibit A-13

- c. The Fieldstone Golf Club fund is used to account for the operations of the City's municipal golf course, Fieldstone Golf Club. This fund is funded primarily through user fees charged to individuals using these facilities.

Additionally, the City reports the following fund types:

- a. Internal Service Funds are used to record the financing of services provided by the City to other departments and funds on a cost reimbursement basis.
- b. The Agency Fund is used to account for assets held by the City as an agent for other governments or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as non-operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations of the City are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31 and the related property tax becomes a lien on December 1 of the following year. The related property taxes are billed December 1 with the final collection date of February 28 before the delinquent taxes are turned over to the County for collection and payoff. Property taxes to finance 2003 operations were assessed December 31, 2001, levied on December 1, 2002, and substantially collected in January and February, 2003.

Property taxes levied December 1, 2003 will be used to finance the operations in 2004. As such, these taxes are recorded as deferred revenue in each respective fund at December 31, 2003.

Cash Equivalents

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments are recorded at fair value, based on quoted market prices.

Receivables and Payables

In general, on the fund based statements, outstanding balances between funds are reported as "due to/from other funds." However, any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Inventories and Prepaid Items

Inventories in the business-type activities are valued at cost, on a first-in, first-out basis which approximates market value. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future years and are recorded as prepaid items in both government-wide and fund financial statements.

Fixed Assets

Fixed assets, which include property, plant, equipment, infrastructure assets (e.g. roads, and storm water drains), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if the original purchase price is not available. Donated capital assets are recorded at estimated fair market value at the time of donation.

Depreciation on property and equipment is computed using the straight-line method over the estimated useful lives of the related assets. The estimated useful lives are:

Water and Sewer Mains -----	100 years
Vehicles -----	3-5 years
Office Furniture and Equipment -----	3-5 years
Buildings and Improvements -----	30-35 years
Roads -----	40 years
Storm Drains -----	50 years

Long-Term Liabilities

In the government-wide financial statements and the fund financial statements for the proprietary fund types, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities, business type activities or proprietary fund type statement of net assets.

In the governmental fund financial statements, the face amount of the debt issued is reported as other financing sources in the period when the debt was issued. Bond premiums received on debt issuances are reported as other financing sources while bond discounts are reported as other financing uses in the period that the bonds were issued. Issuance costs are reported in the same period as the bond issuance and are reported as debt service expenditures.

Employee Vacation and Sick Time

City employees are granted vacation in varying amounts based on length of service. Vacation pay is accrued and fully vested when earned; upon termination, employees are paid accumulated vacation at full rates to a limit of their maximum accrual which varies by bargaining unit.

All employees accrue one day of sick time monthly. This sick time is fully vested when earned. Any accrued amount in excess of 240 hours is paid at full rates at the end of each year. Upon termination, employees are paid for their remaining sick time at full rates.

The liability for this accrued sick and vacation time is reported in the Accrued Sick and Vacation Internal Service fund.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTES TO FINANCIAL STATEMENTS

CITY OF AUBURN HILLS

Exhibit A-13

Restricted Assets:

Assets which are restricted for specified uses by bond debt requirements, grant provisions, or other external requirements are classified as restricted assets. Following is a list of restricted assets:

Major Streets	\$ 130,160
Local Streets	178,151
Police	12,041,544
Fire	1,563,611
Brown Road Special Assessments	5,972,163
Tree Ordinance	576,797
Drug Forfeiture	68,695
Police Grants and Donations	3,994
Metro Act	9,901
Street Improvement Bonds	10,678
Library Expansion	<u>320,457</u>

Total Restricted Assets \$ 20,876,151

In addition, the \$2,582,650 restricted net assets of the component units are restricted to be spent in accordance with the respective TIFA, Brownfield and EDC plan documents

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

NOTE C-CASH AND CASH EQUIVALENTS

The City's deposits and investments at December 31, 2003 under the balance sheet classification of "Cash and Cash Equivalents" are composed of the following components:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Bank Deposits (checking account, savings accounts and Certificates of Deposit) -----	\$ 15,324,450	\$ 5,977,800	\$ 21,302,250
Petty Cash or cash on hand-----	3,600	100	3,700
Bank Investment Pools -----	<u>26,935,532</u>	<u>459,418</u>	<u>27,394,950</u>
Total -----	<u>\$ 42,263,582</u>	<u>\$ 6,437,318</u>	<u>\$ 48,700,900</u>

The above deposits, which include \$14,980,022 in Certificates of Deposit, were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at approximately \$22,000,000. Of the bank balance, \$400,000 was covered by federal depository insurance and the remainder was neither insured nor collateralized. The City believes that due to the dollar amount of the cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution it deposits City funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The City is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies in certificates of deposit, U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds and investment pools that are composed of authorized investment vehicles. The City has designated certain banks for the deposit of funds. This designation is updated annually. The investment policy as adopted by the City Council in accordance with PA 196 of 1997 has authorized investments in certain federal government obligations, certificates of deposit, commercial paper, banker's acceptances and investment pools. To the extent that cash from various funds has been pooled, related investment income is allocated to each fund based on relative participation in the pool except that the Agency fund investment earnings are allocated to the General Fund.

The City's investments during 2003 consisted solely of bank investment pools. The bank investment pools are regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool shares. Investments are normally categorized to give an indication of the level of risk associated with the type of investment; however, bank investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. The City believes that the investments in these funds comply with the investment authority noted above.

NOTE D-DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property Taxes -----		\$19,494,643
Special Assessments -----	\$ 5,768,000	
Other-----	996,289	-
Deferred Revenue-----	<u>\$ 6,764,189</u>	<u>\$ 19,494,643</u>

NOTE E-FIXED ASSETS

Capital asset activity of the City's governmental and business-type activities was as follows:

Governmental Activities	Balance Jan. 1, 2003	Additions	Deletions	Balance Dec. 31, 2003
Capital assets not being depreciated:				
Land & Improvements -----	\$ 4,626,705	\$ 0	\$ 0	\$ 4,626,705
Capital assets being depreciated:				
Office Furniture & Equipment-----	812,210	15,458		827,668
Machinery & Equipment-----	1,747,955	261,875	6,033	2,003,797
Vehicles -----	4,846,283	648,797	728,605	4,766,475
Buildings & Improvements -----	13,751,142	1,032,887		14,784,029
Storm Drains -----	5,142,668	108,177		5,250,845
Roads -----	<u>56,087,750</u>	<u>4,619,597</u>		<u>60,707,347</u>
Subtotal -----	82,388,008	6,686,791	734,640	88,340,161
Accumulated Depreciation:				
Office Furniture & Equipment-----	441,798	119,295		561,093
Machinery & Equipment-----	1,025,490	250,453	4,827	1,271,116
Vehicles -----	3,719,806	496,117	728,428	3,487,495
Buildings & Improvements -----	3,338,852	361,161		3,700,013
Storm Drains -----	183,464	103,517		286,981
Roads -----	<u>9,414,698</u>	<u>1,459,939</u>		<u>10,874,637</u>
Subtotal -----	<u>18,124,108</u>	<u>2,790,479</u>	<u>733,255</u>	<u>20,181,335</u>
Net capital assets being depreciated.....	<u>64,263,900</u>	<u>3,896,311</u>	<u>1,385</u>	<u>68,158,826</u>
Net capital assets -----	<u>\$68,890,605</u>	<u>\$ 3,896,311</u>	<u>\$ 1,385</u>	<u>\$ 72,785,531</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF AUBURN HILLS

Exhibit A-13

	Balance at Jan. 1, 2003	Additions	Deletions	Reclassifications	Balance at Dec. 31, 2003
Business-Type Activities					
Capital assets not being depreciated:					
Land	8,314,199				\$ 8,314,199
Land Improvements	83,297			\$	83,297
Subtotal	8,397,496				8,397,496
Capital assets being depreciated:					
Water & Sewer Mains	57,443,182	721,344	8,751		58,155,775
Machinery & Equipment	3,093,234	210,296	5,579	59,595	3,357,546
Buildings and Improvements	6,080,085				6,080,085
Vehicles	804,344	209,039	186,778	(59,595)	767,010
Subtotal	67,420,845	1,140,679	201,108	0	68,360,416
Accumulated Depreciation:					
Water & Sewer Mains	7,307,759	582,258	3,718		7,886,299
Machinery & Equipment	1,820,963	383,156	1,809	59,595	2,261,905
Buildings and Improvements	909,968	202,670			1,112,638
Vehicles	576,650	118,763	186,710	(59,595)	449,108
Subtotal	10,615,340	1,286,847	192,237	0	11,709,950
Net capital assets being depreciated	56,805,505	(146,168)	8,871		56,650,466
Net capital assets	\$ 65,203,001	\$ (146,168)	\$ 8,871	\$ 0	\$ 65,047,962

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities

Management and Planning	\$ 8,069
Public Safety	446,860
Streets, highways & public improvements	1,840,598
Community and economic development	48,586
General support	70,542
Internal Service	375,824
Total governmental activities	2,790,479

Business-Type Activities

Water	630,212
Sewer	311,321
Fieldstone Golf Club	204,470
Internal Service	140,844
Total business-type activities	1,286,847

Total Depreciation Expenses \$4,077,326

The City of Auburn Hills had active construction projects at the end of the 2003. The project is a major addition to the City Hall facility. At year-end, the City's commitments with contractors are as follows:

	Spent To Date	Remaining Commitment
Addition to City Hall facility	\$1,351,160	\$1,615,396

NOTE F-LONG-TERM DEBT (including current portions)

Long-term debt of the City is as follows:

	Balance Jan. 1, 2003	Additions	Reductions	Balance Dec. 31, 2003	Due Within One Year
<u>Governmental Activities:</u>					
4.75% to 6.6% Street Improvement Bonds, Issued 5/1/91, Original Issue Amount- \$3,500,000 -----	\$ 1,000,000		(\$1,000,000)	\$ 0	\$ 0
4.4% to 5.0% Street Improvement Bonds, Issued 5/1/93, Original Issue Amount- \$2,600,000 -----	1,150,000		(350,000)	800,000	350,000
6.65% to 6.85% Special Assessment Bonds, Issued 11/1/89, Original Issue Amount- \$870,000 ⁽¹⁾ -----	55,000		(55,000)	0	0
3.95% for 1999, Fire Station Installment Purchase Issued 12/3/93, Original Issue Amount- \$990,000, Interest rate determined annually -----	184,564		(120,986)	63,578	63,578
5.5% to 6.0% Library Improvement Bonds, Issued 12/1/94, Original Issue Amount- \$3,600,000 -----	1,735,000		(375,000)	1,360,000	415,000
4.6% to 6.0%, John E. Olsen Drain Project, Issued 7/1/96, Original Issue Amount- \$950,000 ⁽³⁾ -----	800,000		(25,000)	775,000	50,000
10.25%, Land Contract for Land Purchase, Issued 6/30/96, Original Issue Amount- \$150,000 ⁽⁴⁾ -----	70,291		(17,612)	52,679	19,488
4.5% to 5.5% Special Assessment Bonds, Issued 12/1/1999, Original Issue Amount- \$7,250,000 ⁽¹⁾ -----	6,275,000		(375,000)	5,900,000	400,000
Tax Tribunal Cases ⁽⁶⁾ -----	4,104,555	\$ 0	(3,585,991)	518,564	0
Total Governmental Activities -----	15,374,410	0	(5,904,589)	9,469,821	1,298,066
<u>Business-Type Activities</u>					
7.1% to 7.2%, Oakland County Water Supply & Sewage Disposal Bonds, Issued 1/1/88, Original Issue Amount-\$2,850,000 ⁽⁵⁾ -----	325,000		(325,000)	0	0
10.25%, Land Contract for Land Purchase, Issued 6/30/96, Original Issue Amount- \$250,000 ⁽⁴⁾ -----	117,151		(29,353)	87,798	32,479
5.5%, City of Auburn Hills Building Authority Bonds, Issued 1/31/96, Original Issue Amount-\$16,000,000 -----	1,350,000		(350,000)	1,000,000	450,000
3.45% to 5.0%, City of Auburn Hills Building Authority Bonds, Issued 4/28/99, Original Issue Amount-\$14,900,000 -----	14,200,000		(125,000)	14,075,000	125,000
Total Business-Type Activities -----	15,992,151	0	(829,353)	15,162,798	607,479
Grand Total-All Primary Government Long-Term Debt (Including Current Portion) -----	\$ 31,366,561	\$ 0	(\$6,733,942)	\$24,632,619	\$1,905,545

⁽¹⁾ The special assessment bonds represent the financing of public improvements that benefit specific districts; these districts are specially assessed, at least in part, for the cost of the improvements. At December 31, 2003, the City has \$204,163 available in the Debt Service Funds for repayment of these bonds. In addition, there is \$5,768,000 of special assessments receivable in the future. Under Michigan law, the City is secondarily liable for payment of these bonds.

⁽²⁾ The City levies property taxes annually in an amount adequate to provide debt service for the Kasper Drain debt issue. The payment of this debt is recorded in the Chapter 20 Drain Debt Service Fund. The reserves and surpluses in the County funds for the Kasper Drain are used for the payment of interest on the contract.

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CITY OF AUBURN HILLS

Exhibit A-13

(3) The Olsen Drain project debt payment is recorded in the Storm Water Management Capital Project fund and is funded using general operating funds, which are transferred from the General Fund.

(4) These amounts represent the City liability of a land contract related to the purchase of land from an individual in 1997. The General Fund and the Fieldstone Golf Club enterprise fund have both shared in the cost of this acquisition, which was used to provide additional land for the Fieldstone Golf Club.

(5) The City of Auburn Hills entered into an agreement with Arena Associates, Inc. related to this debt. The agreement provides that the City will pay this debt as new customers in the designated region connect into the system. If the amount generated from new connections is insufficient to satisfy the repayment of debt, Arena Associates, Inc. will loan the funds to the City to meet the debt payment schedule. Once the debt has been repaid, the City will have a liability to Arena Associates, Inc. for all amounts borrowed, plus interest at 7.5% of the unpaid balance.

(6) Tax Tribunal Cases represents the amount of City property tax assessments which have been contested and are subject to repayment contingent upon the determination of the Michigan Tax Tribunal.

Defeased Debt—In 1999, the Building Authority defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the general purpose financial statements. At December 31, 2003, \$13,425,000 of bonds outstanding are considered defeased.

The annual requirements to pay principal and interest on the obligations (excluding tax tribunal cases) outstanding as of December 31, 2003 are shown below:

Governmental Activities:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004-----	\$ 1,298,066	\$ 451,470	\$ 1,749,536
2005-----	1,396,563	379,816	1,776,379
2006-----	1,006,628	315,099	1,321,727
2007-----	525,000	275,125	800,125
2008-----	550,000	248,700	798,700
2009-2013-----	3,250,000	789,350	4,039,350
2014-2016-----	<u>925,000</u>	<u>58,713</u>	<u>983,713</u>
TOTALS-----	<u>8,951,257</u>	<u>2,518,273</u>	<u>11,469,530</u>

Business-Type Activities:

2004-----	607,479	715,322	1,322,801
2005-----	715,939	682,113	1,398,052
2006-----	784,380	642,963	1,427,343
2007-----	885,000	610,468	1,495,468
2008-----	790,000	572,855	1,362,855
2009-2013-----	5,505,000	2,257,622	7,762,622
2014-2017-----	<u>5,875,000</u>	<u>739,113</u>	<u>6,614,113</u>
TOTALS-----	<u>15,162,798</u>	<u>6,220,456</u>	<u>21,383,254</u>

Total Primary Government:

2004-----	1,905,545	1,166,792	3,072,337
2005-----	2,112,502	1,061,929	3,174,431
2006-----	1,791,008	958,062	2,749,070
2007-----	1,410,000	885,593	2,295,593
2008-----	1,340,000	821,555	2,161,555
2009-2013-----	8,755,000	3,046,972	11,801,972
2014-2017-----	<u>6,800,000</u>	<u>797,826</u>	<u>7,597,826</u>
TOTALS-----	<u>\$24,114,055</u>	<u>\$8,738,729</u>	<u>\$32,852,784</u>

By statute, the City general obligation debt is restricted to 10% of the equalized value of all property in the City. Certain obligations, such as special assessment debt, are not subject to this limitation. At December 31, 2003, the City's debt limit amounted to \$233,024,579 and indebtedness subject to the limitation aggregated \$18,010,000.

NOTE G-INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Police Fund	\$ 12,302
	Fire Fund	7,735
	Internal Service Fund	1,649
	Water and Sewer Funds	2,239
	Nonmajor governmental funds	<u>1,274,409</u>
Total General Fund		1,298,334
Nonmajor governmental funds	General Fund	508,162
	Major Streets	139
	Local Streets	92
	Police Fund	2,725
	Fire Fund	618
	Nonmajor governmental funds	660,264
	Internal Service Fund	99
	Water and Sewer Funds	396
	Fieldstone Golf Club	<u>32</u>
	Total Nonmajor governmental funds	1,172,527
Water and Sewer Funds	Fieldstone Golf Club	2,013,986
Accrued Sick and Vacation Fund	General Fund	416,749
	Major Streets	26,319
	Local Streets	13,675
	Police Fund	486,658
	Fire Fund	137,154
	Internal Service Fund	8,114
	Nonmajor governmental funds	26,550
	Water and Sewer Funds	100,413
	Fieldstone Golf Club	<u>13,103</u>
	Total Accrued Sick and Vacation fund	<u>1,228,735</u>
	Total	<u>\$5,713,582</u>

These balances result from the time lag between dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

NOTES TO FINANCIAL STATEMENTS

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NOTE H-INTERFUND TRANSFERS

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
General Fund	Major Streets	\$ 500,000
	Local Streets	425,000
	Nonmajor governmental funds	<u>2,275,000</u>
	Total General Fund	3,200,000
Nonmajor governmental funds	General Fund	35,860
	Nonmajor governmental funds	<u>500,000</u>
Major Streets	Water and Sewer Funds	65,052
Police Fund	Nonmajor governmental funds	<u>500,000</u>
Total		<u>\$4,300,912</u>

The large transfers from the general fund to the Major and Local Street funds were to supplement the Act 51 resources provided by the State of Michigan for the maintenance of major and local roads (\$500,000 and \$425,000 respectively). The transfers to the nonmajor governmental funds were to provide funds for park improvements projects (\$150,000), to provide funds for sidewalk maintenance (\$25,000), and to provide funds in the Street Improvement Fund (\$2,100,000) for street improvement projects including the reconstruction of Auburn Road and the paving of Collier Road.

The large transfers to the nonmajor governmental funds represent transfers from the Police Fund (\$500,000) and the Wayne Oakland Disposal Fund (\$500,000) to the Clubhouse Construction Fund (\$1,000,000) to fund the construction of the clubhouse and Fieldstone Golf Club.

NOTE I-RETIREMENT PLANS

DEFINED BENEFIT PLAN

Plan Description-The City contributes to a single-employer defined benefit pension plan. This plan was available to all full-time employees hired prior to 1998, but is no longer available to new employees. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The plan is administered through New England Financial. Due to its nature, the plan does not issue an annual financial statement, either as a stand-alone financial report, or by inclusion in the report of a public employee retirement system or another entity.

Funding Policy-The obligation to contribute to and maintain the system for these employees was established by negotiation with three collective bargaining units. The plan required a contribution of 23.01% of gross wages for 2003.

Annual Pension Cost-For the year ended December 31, 2002, the City's annual pension cost of \$1,042,310 was equal to the City's required contribution of \$1,591,762, less interest of \$549,452 on the net pension asset. The City's actual contribution for the year ended December 31, 2002 was \$913,989. The annual required contribution was determined as part of an actuarial valuation at January 1, 2002, using the individual entry age normal cost method. Significant actuarial assumptions used include (a) a 7.5% investment rate of return, (b) projected salary increase of 5% per year compounded annually and (c) postretirement benefit increases of 5% per year where appropriate. Both (a) and (b) include an inflation component of 2.5%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 16 years.

Three year trend information is as follows:

	<u>December 31,</u> <u>2002</u>	<u>December 31,</u> <u>2001</u>	<u>December 31,</u> <u>2000</u>
Annual Pension Cost-----	\$ 1,042,310	\$ 591,191	\$389,480
Percentage of Annual Pension Cost Contributed -----	140.8%	147.3%	195.4%
Net Pension Asset -----	(7,197,699)	(7,326,020)	(7,043,649)

	Actuarial Valuation		
	January 1, 2003	January 1, 2002	January 1, 2001
Actuarial Value of Assets -----	\$14,199,574	\$15,243,527	\$ 15,424,423
Actuarial Accrued Liability (Entry Age) -----	27,723,143	26,007,423	22,637,823
Unfunded Actuarial Accrued Liability -----	13,253,569	10,763,896	7,213,400
Funded Ratio -----	51.2%	58.6%	68.1%
Covered Payroll -----	4,408,490	4,524,623	4,874,253
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll -----	306.8%	237.9%	148.0%

For the year ended December 31, 2002, the City's annual pension cost and net pension asset for the current year is shown:

Annual Required Contribution -----	\$1,591,762
Interest on Net Pension Asset -----	(549,452)
Annual Pension Cost -----	1,042,310
Contributions Made -----	(913,989)
Decrease in Net Pension Asset -----	128,321
Net Pension Asset Beginning of the Year -----	(7,326,020)
Net Pension Asset End of the Year -----	(\$7,197,699)

DEFINED CONTRIBUTION PLAN

The City established a defined contribution plan in 1998 to provide an alternative to the defined benefit plan. The International City Managers Association (ICMA) administers the plan, and the City Council has authority over plan provisions and contribution requirements. The defined contribution pension plan is the only plan available to employees hired after January 1, 2000. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. At December 31, 2003, there were 176 members. The City is required to contribute between 9% and 12% of total salaries. Employees may contribute up to 10% of total salaries. In accordance with these requirements, the City contributed \$503,032 during the current year and employees contributed \$296,599. Employees are vested after 5 years of service. Plan provisions and contribution requirements are established by the City Council and collective bargaining and may be amended.

POST-EMPLOYMENT BENEFITS

The City provides health care benefits to former City Council members and retired full-time City employees in accordance with labor contracts and personnel policies. Currently 44 people are eligible. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participant. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for post-employment health care benefits are recognized as the insurance premiums become due. During 2003, the amount expended for post-employment benefits was \$302,261.

Beginning in 1997, the City started a formal method to pre-fund this growing liability. An actuarial valuation of the accrued liability for this benefit was first done for the period ending December 31, 1997. Beginning in 1999, the actuarial recommended percentage of payroll was contributed to the Retirees Health Care fund to assure funding for this benefit will be available in future years. This fund has a fund balance of \$1,459,597 as of December 31, 2003. Total contributions of \$454,480 were made to this fund in 2003.

NOTE J-RISK MANAGEMENT, CONTINGENCIES, AND COMMITMENTS

The City is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for these potential risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past four years.

Under provisions of a contractual agreement signed in 1995 between the City and the Cardell Corporation, the City received a cash advance during 2003 in the amount of \$340,898 to provide operating funds for the Fieldstone Golf Club Fund. A total of \$1,527,232 in cash advances have been received from the Cardell Corporation under the provisions of this contractual agreement. Repayment of this advance is only required when the Fieldstone Golf Club Fund reaches a specified cash balance. Because repayment of this advance is

NOTES TO FINANCIAL STATEMENTS

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required only after the Fieldstone Golf Club Fund reaches specific cash balance levels, these advances have been recorded as revenue in the Fieldstone Golf Club Fund.

The City is aware of several asserted claims. It is the opinion of the City that any material future liability arising from these claims would be within the limits of the City's insurance coverage. No provision has been made in the accompanying basic financial statements for potential liability, if any, that may arise from these suits.

During 2003, the State of Michigan asserted a claim for a refund of school taxes captured for Tax Increment Financing Authority (TIFA) purposes. It is the City's belief that the funds were captured in accordance with all applicable laws and regulations regarding tax increment financing and that ultimately, no refund will be required.

The City entered into a contract on March 3, 2003 for significant renovations of the City Hall facility. This renovation will include demolition and reconstruction of a large portion of the building as well as renovation of the remaining portion of the building. The estimated costs of the renovations, approximately \$3.5 million, will be paid from the TIFA-86D component unit. These renovations will not only make the building larger, but will also address major functionality issues including ADA (Americans with Disability Act) issues with the current building. The contract with the Garrison Company was for \$2,966,556 of which \$1,351,160 has been earned by the Garrison Company by the end of 2003. The remaining amount of \$1,615,396 will be paid during 2004 as the construction of the building is completed.

NOTE K-PROPERTY TAXES

The City property tax is levied each December 1 on the taxable valuation of property located in the City as of the preceding December 31. On December 31, the property tax attachment is an enforceable lien on property and is payable by the last day of the next February following. Taxable values are established annually by the City and are equalized by the County. The 2002 taxable valuation of the City totaled approximately \$2.34 billion of which approximately \$359 million is captured by the Tax Increment Financing Authority (TIFA). The City property tax levy for 2002 (which was collected primarily in 2003) was composed of the following components:

<u>Levy Purpose</u>	<u>Millage Rate</u>	<u>Maximum Allowable Millage Rate</u>	<u>Tax Revenue</u>
General Operating-----	1.7500	2.1126	\$ 4,064,563
Fire Department-----	1.7604	1.7604	3,083,664
Police Department-----	5.9857	5.9857	10,485,076
Library-----	.7041	.7041	1,233,384
Drain-at-Large Debt Millage-----	.0125	N/A	21,919
Street Paving Debt Millage-----	.5550	2.0000	974,149
Library Expansion Debt Millage-----	.2200	1.0000	386,149
Captured Property Taxes-----			<u>5,951,411</u>
Total City Property Tax Levy-----	<u>10.9877</u>	<u>N/A</u>	<u>\$26,200,315</u>

By agreement with Oakland County, the County purchases at face value the real property taxes receivable returned delinquent each March 1st. As a result the City receives 100% of real property taxes levied for the year regardless of delinquencies. The County does not purchase the delinquent personal property taxes. However, the City has a number of ways to effect collection of delinquent personal property taxes.

The amounts are recognized in the respective general, special revenue, and debt service funds as property tax revenue.

NOTE L-CONSTRUCTION CODE FEES

The City oversees building construction, in accordance with the State's construction code act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and cumulative shortfall since January 1, 2000 is presented on the following page:

Shortfall at December 31, 2002-----	(\$ 1,097,225)
Building Permit Revenue -----	625,635
Related Expenses:	
Direct Costs (Building & Community Development) -----	1,081,274
Estimated Indirect Costs -----	99,942
Total Construction Code Expenditures-----	<u>1,181,216</u>
Cumulative Shortfall at December 31, 2003	<u>(\$ 1,652,806)</u>

NOTE M-COMPONENT UNIT DISCLOSURES

Cash and Cash Equivalents

The cash and cash equivalents of the City's components units reflected in the financial statement consist of deposits of \$2,014,981 and bank investment pools of \$6,344,193. The deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at approximately \$2,400,000. Of that amount, \$300,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The bank investment pools are regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool shares. The investments are not categorized because they are not evidenced by securities that exist in physical or book entry form.

Long-Term Debt

The long-term debt for the TIFA86-D component unit of the City of Auburn Hills is presented below:

	Balance Jan. 1, 2003	Additions (Reductions)	Balance Dec. 31, 2003	Due Within One Year
Tax Tribunal Cases -----	\$ 254,672	(\$ 24,704)	\$ 229,968	\$ 0

No Commitment Debt

Excluded from the component unit Long-Term Debt are revenue bonds issued by the Economic Development Corporation to acquire and lease property to third parties. The revenue bonds issued are payable solely from the net revenue derived from the respective leases and are not a general obligation of the City. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the City's financial statements. As of December 31, 2003, there were 5 series of Economic Development Bonds outstanding. The aggregate principal amount outstanding could not be determined. However, their original issue amounts totaled \$16,850,000.

Property and Equipment:

The following table summarizes the changes in the fixed assets of the component units:

	Balance Jan. 1, 2003	Additions	Deletions	Balance Dec. 31, 2003
Capital assets not being depreciated:				
TIFA 85-A (Land) -----	\$ 3,823,225	858,709	594,116	\$ 4,087,818
TIFA 86-D (Land) -----	2,017,211			2,017,211
TIFA 86-D (Construction in Progress)-----	269,486	1,435,826		1,705,312
Subtotal -----	6,109,922	2,294,535	594,116	7,810,341
Capital assets being depreciated:				
TIFA 85-A (Roads) -----	15,594,888	991,345		16,586,233
TIFA 86-B (Roads) -----	868,049	1,011,713		1,879,762
TIFA 86-D (Roads) -----	26,831	613,263		640,094
TIFA 86-D (Buildings & Improvements)-----	9,845,867			9,845,867
Subtotal -----	26,335,635	2,616,321		28,951,956

NOTES TO FINANCIAL STATEMENTS

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Exhibit A-13

	Balance Jan. 1, 2003	Additions	Deletions	Balance Dec. 31, 2003
<u>Accumulated depreciation:</u>				
TIFA 85-A (Roads) -----	\$ 450,354	\$ 402,264		\$ 852,618
TIFA 86-B (Roads) -----	30,621	34,348		64,969
TIFA 86-D (Roads) -----	470	8,337		8,807
TIFA 86-D (Buildings & Improvements) -----	123,074	246,146		369,220
Subtotal -----	604,519	691,095	\$ 0	1,295,614
Net capital assets being depreciated -----	25,731,116	1,925,226		27,656,342
Net capital assets -----	<u>\$31,841,038</u>	<u>\$ 4,219,761</u>	<u>\$ 594,116</u>	<u>\$35,466,683</u>

NOTE N-Accounting and Reporting Change

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*. The City of Auburn Hills has applied the provisions of this statement in the accompanying financial statements (including the notes to the financial statements). The City has elected to implement both the general provisions of the statement and the retroactive reporting of the infrastructure in the current year. Certain significant changes in the statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the City's activities, including infrastructure (road, storm drains, etc.)
- A change in the fund financial statements to focus on the major funds.
- Capital assets in the governmental activities column of the statement of net assets includes infrastructure assets (roads, storm drains etc.) not previously accounted for by the City as well as assets totaling approximately \$25,800,00 that would previously have been reported in the General Fixed Asset Account Group. In addition, capital assets in the TIFA component units column of the statement of net assets now includes approximately \$18 million of infrastructure assets not previously accounted for by the City.
- The governmental activities column includes bonds and other long-term obligations totaling approximately \$16,500,000 that previously would have been reported in the General Long-Term Debt Account Group.

**REQUIRED
SUPPLEMENTARY INFORMATION**

**CITY OF AUBURN HILLS EMPLOYEE PENSION PLAN
ANALYSIS OF FUNDING PROGRESS
FOR THE YEAR ENDED DECEMBER 31, 2003**

CITY OF AUBURN HILLS

Exhibit B-1

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll (b-a)/c
12/31/02	\$ 14,199,574	\$ 27,723,143	\$ 13,523,569	51.2%	\$ 4,408,490	306.8%
12/31/01	15,243,527	26,007,423	10,763,896	58.6%	4,524,623	237.9%
12/31/00	15,424,423	22,637,823	7,213,400	68.1%	4,874,253	148.0%
12/31/99	16,975,974	21,450,883	4,474,909	79.1%	4,642,146	96.4%
12/31/98	14,826,944	18,254,045	3,427,101	81.2%	4,382,998	78.2%
12/31/97	12,827,577	16,784,386	3,956,809	76.4%	4,835,933	81.8%
12/31/96	9,550,565	13,511,315	3,960,750	70.7%	4,611,476	85.9%

See Exhibit A-13, Notes to Financial Statements

**CITY OF AUBURN HILLS EMPLOYEE PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2003**

CITY OF AUBURN HILLS

Exhibit B-2

<u>Fiscal Year Ending</u>	<u>Valuation Date</u>	<u>Annual Required Contribution</u>	<u>Percent Contributed</u>
12/31/2002	1/1/2002	\$ 1,591,762	57.4%
12/31/2001	1/1/2001	1,125,465	78.1%
12/31/2000	1/1/2000	889,899	85.5%
12/31/1999	1/1/1999	723,731	104.3%
12/31/1998	1/1/1998	635,925	204.7%
12/31/1997	1/1/1997	573,760	846.6%
12/31/1996	1/1/1996	608,619	256.3%

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2002, the latest actuarial valuation, follows:

Actuarial Cost Method.....	Individual Entry Age
Amortization Method.....	Level Percent of Payroll, Closed
Remaining Amortization Period.....	16 Years
Asset Valuation Method.....	Market Value
Actuarial Assumptions:	
Investment Return.....	7.50%
Projected Salary Increases.....	5.00%
Cost of Living Adjustments.....	5.00% For eligible members

See Exhibit A-13, Notes to Financial Statements

MAJOR FUNDS

MAJOR FUNDS

General Fund-The General Fund is the general operating fund of the City. It is used to account for all financial resources of the City which are not required to be accounted for in other funds.

Major Streets-This fund is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for construction and maintenance of roads designated as major streets in the City.

Local Streets-This fund is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for construction and maintenance of roads designated as local streets in the City.

Police-The Police fund is used to account for the revenues and expenditures of the City of Auburn Hills Police Department. This fund is financed primarily through a separate millage specifically for Police services.

Fire-The Fire fund is used to account for the revenues and expenditures of the City of Auburn Hills Fire Department. This fund is financed primarily through a separate millage specifically for Fire Department services.

Brown Road Special Assessment Debt-This fund is used to account for the funding and payment of principal and interest on debt issued in 1999 for the paving of Brown Road adjacent to the Auburn Mile Development. Property tax special assessments are made to the businesses in this development

**SCHEDULE OF REVENUE AND TRANSFERS IN
BUDGET AND ACTUAL -- GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

CITY OF AUBURN HILLS

Exhibit B-3

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Amended Budget</u>
<u>OPERATING REVENUE</u>				
<u>TAXES</u>				
Current property taxes.....	\$ 2,982,121	\$ 3,043,021	\$ 3,109,989	\$ 66,968
Tax collection fee.....	800,000	887,619	887,619	0
TOTALS	3,782,121	3,930,640	3,997,608	66,968
<u>LICENSES AND PERMITS</u>				
Building permits.....	400,000	350,000	357,185	7,185
Electrical permits.....	70,000	86,000	87,263	1,263
Heat, vent, & AC permits.....	85,000	110,000	109,274	(726)
Plumbing permits.....	42,000	75,000	71,913	(3,087)
Building & construction licenses.....	9,900	8,615	8,171	(444)
Other licenses and permits.....	67,700	39,335	39,310	(25)
TOTALS	674,600	668,950	673,116	4,166
<u>CHARGES FOR SERVICES</u>				
Engineering services.....	250,000	155,000	181,744	26,744
Plan review fees.....	155,000	178,000	179,479	1,479
Recreation programs and activities.....	53,000	38,500	38,617	117
Senior citizen programs and activities.....	75,000	47,533	47,458	(75)
TOTALS	533,000	419,033	447,298	28,265
<u>STATE SOURCES</u>				
SMART (transportation) grant.....	27,000	31,421	67,299	35,878
State shared revenue sharing.....	1,953,799	1,650,000	1,714,167	64,167
TOTALS	1,980,799	1,681,421	1,781,466	100,045
<u>USE OF MONEY & PROPERTY</u>				
Interest revenue.....	350,000	140,000	153,080	13,080
Building rental.....	577,500	574,651	574,651	0
TOTALS	927,500	714,651	727,731	13,080
<u>ADMINISTRATIVE & INTERFUND CHARGES</u>				
Administrative charges.....	1,074,864	1,196,632	1,196,632	0
Interfund charges.....	1,618,549	1,618,549	1,618,549	0
TOTALS	2,693,413	2,815,181	2,815,181	0
<u>OTHER REVENUE</u>	454,300	359,353	388,029	28,676
<u>TRANSFER FROM OTHER FUNDS</u>				
Drain at large.....	0	29,500	23,195	(6,305)
Special assessment debt.....	135,139	0	12,665	12,665
TOTALS	135,139	29,500	35,860	6,360
TOTAL REVENUE	\$ 11,180,872	\$ 10,618,729	\$ 10,866,289	\$ 247,560

**SCHEDULE OF EXPENDITURES AND APPROPRIATIONS
BUDGET AND ACTUAL -- GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

CITY OF AUBURN HILLS

EXHIBIT B-4

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Amended Budget</u>
<u>LEGISLATIVE</u>				
City Council.....	\$ 301,582	\$ 252,256	\$ 279,303	\$ 27,047
<u>MANAGEMENT & PLANNING</u>				
Assessor.....	1,073,836	825,375	807,292	(18,083)
City Clerk.....	280,960	269,105	280,376	11,271
City Clerk-Elections.....	96,100	94,910	91,563	(3,347)
City Manager.....	449,046	455,010	455,936	926
Finance.....	395,417	375,067	378,748	3,681
General Administration.....	954,548	681,335	829,809	148,474
Grant Expenditures.....	10,000	10,500	8,914	(1,586)
Treasurer.....	474,904	407,520	401,354	(6,166)
TOTALS	3,734,811	3,118,822	3,253,992	135,170
<u>STREETS, HIGHWAYS & PUBLIC IMPROVEMENTS</u>				
Capital Improvements.....	208,277	214,500	208,635	(5,865)
<u>COMMUNITY & ECONOMIC DEVELOPMENT</u>				
Building.....	777,147	775,210	780,770	5,560
Economic Development.....	113,814	101,490	100,656	(834)
Community Development.....	292,691	300,680	300,504	(176)
Planning Commission & Zoning Board of Appeals.....	97,490	58,225	104,165	45,940
Recreation.....	373,260	407,510	393,152	(14,358)
Senior Citizens.....	379,603	315,641	284,815	(30,826)
TOTALS	2,034,005	1,958,756	1,964,062	5,306
<u>GENERAL SUPPORT</u>				
Facilities.....	993,597	1,052,190	1,101,694	49,504
Parks and Grounds.....	1,294,131	1,288,355	1,263,977	(24,378)
TOTALS	2,287,728	2,340,545	2,365,671	25,126
<u>CAPITAL OUTLAY</u>				
Assessor.....	10,000	10,000	2,740	(7,260)
Parks and Grounds.....	52,300	39,000	32,649	(6,351)
Treasurer.....	30,000	10,000	0	(10,000)
Capital Improvements.....	14,000	13,000	12,026	(974)
Facilities.....	112,000	102,000	58,026	(43,974)
TOTALS	218,300	174,000	105,441	(68,559)
<u>DEBT SERVICE</u>				
MTT refunds.....	500,000	500,000	466,619	(33,381)
Principal.....	17,612	17,612	17,612	0
Interest.....	6,542	6,542	6,542	0
TOTALS	524,154	524,154	490,773	(33,381)
TOTAL EXPENDITURES	9,308,857	8,583,033	8,667,877	84,844

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Amended Budget</u>
<u>TRANSFERS</u>				
<u>Special Revenue:</u>				
Major Streets.....	\$ 300,000	\$ 500,000	\$ 500,000	\$ 0
Local Streets.....	375,000	425,000	425,000	0
Park Improvements.....	75,000	150,000	150,000	0
Sidewalks	25,000	0	25,000	25,000
TOTALS	<u>775,000</u>	<u>1,075,000</u>	<u>1,100,000</u>	<u>25,000</u>
 <u>Capital Projects:</u>				
Storm Water Management.....	150,000	0	0	0
Street Improvement.....	1,000,000	2,100,000	2,100,000	0
TOTALS	<u>1,150,000</u>	<u>2,100,000</u>	<u>2,100,000</u>	<u>0</u>
 TOTAL TRANSFERS	<u>1,925,000</u>	<u>3,175,000</u>	<u>3,200,000</u>	<u>25,000</u>
 TOTAL EXPENDITURES AND TRANSFERS	<u>\$ 11,233,857</u>	<u>\$ 11,758,033</u>	<u>\$ 11,867,877</u>	<u>\$ 109,844</u>

**SCHEDULE OF REVENUES AND OTHER SOURCES
BUDGET AND ACTUAL -- OTHER MAJOR FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

CITY OF AUBURN HILLS

EXHIBIT B-5

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Amended Budget</u>
MAJOR STREETS				
State sources.....	\$ 864,403	\$ 928,173	\$ 942,963	\$ 14,790
Use of money and property.....	7,500	2,550	2,421	(129)
General fund appropriation.....	300,000	500,000	500,000	0
Other.....	0	120	116	(4)
TOTALS	<u>\$ 1,171,903</u>	<u>\$ 1,430,843</u>	<u>\$ 1,445,500</u>	<u>\$ 14,657</u>
LOCAL STREETS				
State sources.....	\$ 274,548	\$ 280,000	\$ 287,050	\$ 7,050
Use of money and property.....	7,500	3,400	3,330	(70)
Other revenues.....	1,500	1,400	1,400	0
General fund appropriation.....	375,000	425,000	425,000	0
TOTALS	<u>\$ 658,548</u>	<u>\$ 709,800</u>	<u>\$ 716,780</u>	<u>\$ 6,980</u>
POLICE				
Property taxes.....	\$ 10,186,875	\$ 10,186,875	\$ 10,261,499	\$ 74,624
Licenses and permits.....	12,000	12,000	14,000	2,000
Charges for services.....	303,000	303,000	292,860	(10,140)
Fines and forfeitures.....	175,000	175,000	219,605	44,605
Federal sources.....	0	0	8,531	8,531
State sources.....	24,000	24,000	16,560	(7,440)
Use of money and property.....	167,500	167,500	236,328	68,828
Administrative & interfund charges.....	503,932	503,932	104,123	(399,809)
Other.....	88,250	88,250	137,701	49,451
TOTALS	<u>\$ 11,460,557</u>	<u>\$ 11,460,557</u>	<u>\$ 11,291,207</u>	<u>\$ (169,350)</u>
FIRE				
Property taxes.....	\$ 2,998,764	\$ 3,016,210	\$ 3,017,894	\$ 1,684
Charges for services.....	126,000	142,200	144,572	2,372
State sources.....	0	18,775	18,784	9
Use of money and property.....	30,000	21,500	21,028	(472)
Other.....	2,600	40,250	36,634	(3,616)
TOTALS	<u>\$ 3,157,364</u>	<u>\$ 3,238,935</u>	<u>\$ 3,238,912</u>	<u>\$ (23)</u>
BROWN ROAD SPECIAL ASSESSMENT DEBT				
Special assessments.....	\$ 343,000	\$ 343,000	\$ 343,000	\$ 0
Use of money and property.....	346,050	346,050	345,521	(529)
TOTALS	<u>\$ 689,050</u>	<u>\$ 689,050</u>	<u>\$ 688,521</u>	<u>\$ (529)</u>

**SCHEDULE OF EXPENDITURES AND OTHER USES
BUDGET AND ACTUAL -- OTHER MAJOR FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

CITY OF AUBURN HILLS

EXHIBIT B-6

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Amended Budget</u>
<u>MAJOR STREETS</u>				
Personnel services.....	\$ 191,348	\$ 223,737	\$ 230,812	\$ 7,075
Fringe benefits.....	132,093	170,300	172,305	2,005
Supplies and services.....	768,247	1,051,652	973,513	(78,139)
Transfer to Water fund.....	32,531	32,531	32,526	(5)
Transfer to Sewer fund.....	32,531	32,531	32,526	(5)
TOTALS	<u>\$ 1,156,750</u>	<u>\$ 1,510,751</u>	<u>\$ 1,441,682</u>	<u>\$ (69,069)</u>
<u>LOCAL STREETS</u>				
Personnel services.....	\$ 142,316	\$ 148,625	\$ 151,100	\$ 2,475
Fringe benefits.....	78,434	101,350	101,909	559
Supplies and services.....	425,377	524,297	466,139	(58,158)
TOTALS	<u>\$ 646,127</u>	<u>\$ 774,272</u>	<u>\$ 719,148</u>	<u>\$ (55,124)</u>
<u>POLICE</u>				
Personnel services.....	\$ 4,630,133	\$ 4,630,133	\$ 4,070,944	\$ (559,189)
Fringe benefits.....	2,221,682	2,221,682	2,181,677	(40,005)
Supplies and services.....	2,318,430	2,318,430	2,253,591	(64,839)
Capital outlay.....	221,650	221,650	166,814	(54,836)
MTT refunds.....	1,500,000	1,500,000	1,199,600	(300,400)
Transfer to Clubhouse Construction.....	500,000	500,000	500,000	0
TOTALS	<u>\$ 11,391,895</u>	<u>\$ 11,391,895</u>	<u>\$ 10,372,626</u>	<u>\$ (1,019,269)</u>
<u>FIRE</u>				
Personnel services.....	\$ 1,269,002	\$ 1,320,700	\$ 1,323,774	\$ 3,074
Fringe benefits.....	563,989	559,040	561,819	2,779
Supplies and services.....	1,119,804	1,037,186	1,003,309	(33,877)
Capital outlay.....	111,500	96,000	96,440	440
Debt service:				0
MTT refunds.....	40,000	240,000	352,807	112,807
Principal payments.....	120,986	120,986	120,986	0
Interest payments.....	7,224	7,224	7,224	0
TOTALS	<u>\$ 3,232,505</u>	<u>\$ 3,381,136</u>	<u>\$ 3,466,359</u>	<u>\$ 85,223</u>
<u>BROWN ROAD SPECIAL ASSESSMENT DEBT</u>				
Other.....	\$ 500	\$ 500	\$ 137	\$ (363)
Debt service:				0
Principal payments.....	375,000	375,000	375,000	0
Interest payments.....	319,094	319,094	319,094	0
TOTALS	<u>\$ 694,594</u>	<u>\$ 694,594</u>	<u>\$ 694,231</u>	<u>\$ (363)</u>

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

The City employs the following procedures in establishing the budgetary data reflected in the financial statements:

- 1) Prior to the first Monday in August, City Departments, in conjunction with the Finance Office, prepare and submit their proposed operating budgets for the year beginning January 1 to the City Manager. Budgets are prepared for almost all funds of the City including the general fund, special revenue funds, debt service funds, capital project funds, internal service fund, and enterprise funds. No budget is prepared for the agency fund or the Accrued Sick and Vacation Internal Service fund.
- 2) The City Manager compiles and reviews such budget requests and then prepares recommendations and submits them to the Council on or before September 1st of each year.
- 3) A Public Hearing is conducted to obtain taxpayers' comments.
- 4) Not later than the first Monday in November, the budget is legally enacted through Council passage of the budget resolutions.
- 5) After the budget is adopted, any revisions that alter the total expenditures of a department or fund must be approved by the City Council.

The budget is adopted by the City Council on an activity (individual department) basis for the General Fund and at the fund total level for all other funds; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General, Special Revenue, Capital Project and Debt Service budgets are included in either the required supplemental information or other supplemental information. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures or liabilities. The amount of encumbrances outstanding at December 31, 2003 has not been calculated. During the current year, the budget was amended in a legally permissible manner, except that the budget was amended after year end because of large construction expenditures in the last month of 2003 in the Street Improvement fund.

Budgets shown were prepared on the same modified accrual basis used to reflect actual results. The budget has been prepared in accordance with generally accepted accounting principles (GAAP), except that operating transfers have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)".

Excesses of expenditures over appropriations in individual funds are presented below:

	<u>Excess Expenditures</u>
General Fund	
City Council	\$ 27,047
City Clerk	11,271
City Manager	926
Finance	3,681
General Administration	115,093
Building	5,560
Planning Commission & Zoning Board of Appeals	45,940
Facilities	49,504
Transfer to Sidewalk Improvement Fund	25,000
Special Revenue Funds	
Fire	85,223
Retiree Health Care	3,761
Sidewalk Improvement	10,797
CDBG	10,622
Debt Service Funds	
Street Improvement Bonds	37,997
Chapter 20 Drains	56

The Community Development Block Grant special revenue fund and the Street Improvement capital project fund incurred deficit fund balances at the end of 2003 in the amount of \$6,489 and \$592,142. Both of these deficits resulted from expenditures being made in advance of reimbursement from the Federal government, the State of Michigan, and the City of Pontiac. It is expected that when reimbursement for the expenditures is received from the governmental agencies, these deficits will be eliminated in 2004.

OTHER
SUPPLEMENTAL INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET -- NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2003

CITY OF AUBURN HILLS

Exhibit C-

	Special Revenue	Debt Service	Capital Projects	Total
<u>ASSETS</u>				
Cash and cash equivalents.....	\$ 2,858,052	\$ 415,475	\$ 768,653	\$ 4,042,180
Receivables:				
Due from other governmental units.....	130,867		1,076,165	1,207,032
Due from other funds.....	5,801	6,486	1,160,240	1,172,527
Accounts.....	147,976			147,976
Property taxes.....		1,424,037		1,424,037
TOTAL ASSETS	\$ 3,142,696	\$ 1,845,998	\$ 3,005,058	\$ 7,993,752
<u>LIABILITIES AND FUND EQUITY (DEFICIT)</u>				
<u>LIABILITIES</u>				
Accounts payable.....	\$ 68,066	\$ 90,826	\$ 860,791	\$ 1,019,683
Accrued payroll and other liabilities.....			590	590
Due to other funds.....	685,433		1,257,354	1,942,787
Deposits payable.....	111,936			111,936
Deferred revenue.....	6,489	1,424,037	702,550	2,133,076
TOTAL LIABILITIES	871,924	1,514,863	2,821,285	5,208,072
<u>FUND BALANCES (DEFICIT)</u>				
Unreserved:				
Designated for subsequent year's budget.....	192,750	128,954	719,899	1,041,603
Undesignated.....	2,078,022	202,181	(536,126)	1,744,077
TOTAL FUND BALANCES	2,270,772	331,135	183,773	2,785,680
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,142,696	\$ 1,845,998	\$ 3,005,058	\$ 7,993,752

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -- NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

CITY OF AUBURN HILLS

Exhibit C-2

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
REVENUE				
Property taxes.....		\$ 1,338,895		\$ 1,338,895
Licenses and permits.....	\$ 36,650			36,650
Charges for services.....	454,480			454,480
Fines and forfeitures.....	10,765			10,765
Federal sources.....	113,648			113,648
State sources.....	95,501			95,501
Use of money and property.....	14,435	9,820	\$ 5,708	29,963
Other revenue.....	620,367		608,599	1,228,966
TOTAL REVENUE	1,345,846	1,348,715	614,307	3,308,868
EXPENDITURES				
Current operations:				
Management and planning.....	383,478			383,478
Public safety.....	6,373			6,373
Streets, highways, & public improvements.....	66,411	124,467	205,685	396,563
Community and economic development.....	123,081			123,081
Capital outlay.....	311,886		5,276,468	5,588,354
Debt service:				
MTT refunds.....		187,786		187,786
Principal payments.....		1,780,000	25,000	1,805,000
Interest.....		201,290	44,213	245,503
TOTAL EXPENDITURES	891,229	2,293,543	5,551,366	8,736,138
REVENUE OVER (UNDER) EXPENDITURES	454,617	(944,828)	(4,937,059)	(5,427,270)
OTHER FINANCING SOURCES				
General fund transfers.....	175,000		2,100,000	2,275,000
Transfers-in.....			1,000,000	1,000,000
Transfers-out.....	(500,000)	(35,860)		(535,860)
TOTAL OTHER FINANCING SOURCES	(325,000)	(35,860)	3,100,000	2,739,140
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	129,617	(980,688)	(1,837,059)	(2,688,130)
Fund balances at beginning of year.....	2,141,155	1,311,823	2,020,832	5,473,810
FUND BALANCES AT END OF YEAR	\$ 2,270,772	\$ 331,135	\$ 183,773	\$ 2,785,680

COMBINING FINANCIAL STATEMENTS

SPECIAL REVENUE FUNDS

SPECIAL REVENUE FUNDS

Wayne-Oakland Disposal-This fund is used to account for the receipt and subsequent disbursement of "tipping fees" received from the landfill operator of this landfill located in the City.

Retiree Health Care-This fund is used to account for the fees charged to City Departments as a percentage of payroll to begin pre-funding of employee post-retirement health care costs based on actuarial assumptions.

Community Development Block Grant-This fund is used to account for the grant funds received from the Federal Government through Oakland County for projects benefiting low and moderate income persons or projects defined as having an urgent need.

Park Improvement-This fund is used to account for the revenues and expenditures relating to improvements made to City parks. This fund is primarily funded through State grants combined with General Fund appropriations.

Sidewalk Improvement-This fund is used to account for the revenues and expenditures relating to the construction and replacement of City sidewalks and bike paths. This fund is primarily funded through General Fund appropriations.

Tree Ordinance-This fund is used to account for the funds received under Ordinance 483 of the City which requires deposits and fees for the removal and replacement of protected species of trees.

Drug Forfeiture-This fund is used to account for the money and property seized by the Police Department from individuals involved in the use, sale and distribution of illegal drugs.

Police Grants and Donations-This fund is used to account for the revenues and expenditures related to grants and donations that the Police Department received for operation of the DARE program and other associated law enforcement grants.

Metro Act-This fund is used to account for the revenue received from the State of Michigan to be used for right-of-way maintenance.

**COMBINING BALANCE SHEET-NON MAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2003**

CITY OF AUBURN HILLS

EXHIBIT D-1

	<u>Wayne- Oakland Disposal</u>	<u>Retiree Health Care</u>	<u>Community Development Block Grant</u>	<u>Park Improvement</u>
<u>ASSETS</u>				
Cash and cash equivalents.....	\$ 547,143	\$ 1,478,446		\$ 42,387
Receivables:				
Due from other governmental units.....			\$ 35,510	85,630
Due from other funds.....		5,801		
Accounts receivable.....	147,843	133		
TOTAL ASSETS	<u>\$ 694,986</u>	<u>\$ 1,484,380</u>	<u>\$ 35,510</u>	<u>\$ 128,017</u>
<u>LIABILITIES AND FUND EQUITY</u>				
<u>LIABILITIES</u>				
Accounts payable.....		\$ 24,783	\$ 6,489	\$ 10,921
Deposits payable.....			3,588	
Due to other funds.....	\$ 660,000		25,433	
Deferred revenue.....			6,489	
TOTAL LIABILITIES	660,000	24,783	41,999	10,921
<u>FUND BALANCES (DEFICIT)</u>				
Fund balances (deficit)-unreserved:				
Designated for subsequent year's budget....				109,500
Undesignated.....	34,986	1,459,597	(6,489)	7,596
TOTAL FUND EQUITY (DEFICIT)	<u>34,986</u>	<u>1,459,597</u>	<u>(6,489)</u>	<u>117,096</u>
TOTAL LIABILITIES AND FUND EQUITY (DEFICIT)	<u>\$ 694,986</u>	<u>\$ 1,484,380</u>	<u>\$ 35,510</u>	<u>\$ 128,017</u>

<u>Sidewalk Improvement</u>	<u>Tree Ordinance</u>	<u>Drug Forfeiture</u>	<u>Police Grants and Donations</u>	<u>Metro Act</u>	<u>Total</u>
\$ 17,896	\$ 684,696	\$ 69,144	\$ 8,439	\$ 9,901	\$ 2,858,052
9,727					130,867
					5,801
					147,976
<u>\$ 27,623</u>	<u>\$ 684,696</u>	<u>\$ 69,144</u>	<u>\$ 8,439</u>	<u>\$ 9,901</u>	<u>\$ 3,142,696</u>
\$ 21,428	\$ 107,899	\$ 449	\$ 4,445		\$ 68,066
					111,936
					685,433
					6,489
21,428	107,899	449	4,445	\$ 0	871,924
3,000	64,250	11,000		5,000	192,750
3,195	512,547	57,695	3,994	4,901	2,078,022
6,195	576,797	68,695	3,994	9,901	2,270,772
<u>\$ 27,623</u>	<u>\$ 684,696</u>	<u>\$ 69,144</u>	<u>\$ 8,439</u>	<u>\$ 9,901</u>	<u>\$ 3,142,696</u>

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICIT)--SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2003**

CITY OF AUBURN HILLS

EXHIBIT D-2

	<u>Wayne- Oakland Disposal</u>	<u>Retiree Health Care</u>	<u>Community Development Block Grant</u>	<u>Park Improvement</u>
<u>REVENUE</u>				
Licenses and permits.....				
Charges for services.....		\$ 454,480		
Fines and forfeitures.....				
Federal sources.....			\$ 101,505	
State sources.....				\$ 85,630
Use of money and property.....	\$ 2,245	9,959		212
Other revenues.....	614,716			1,500
TOTAL REVENUE	616,961	464,439	101,505	87,342
<u>EXPENDITURES</u>				
Current operations:				
Management and planning.....	81,217	302,261		
Public safety.....				
Streets, highways, & public improvements...				
Community and economic development.....			93,922	29,159
Capital outlay.....				304,393
TOTAL EXPENDITURES	81,217	302,261	93,922	333,552
REVENUE OVER (UNDER) EXPENDITURES	535,744	162,178	7,583	(246,210)
<u>OTHER FINANCING SOURCES (USES)</u>				
General fund transfer.....				150,000
Transfers-out.....	(500,000)			
TOTAL OTHER FINANCING SOURCES (USES)	(500,000)	0	0	150,000
REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	35,744	162,178	7,583	(96,210)
Fund balance (deficit) at beginning of year.....	(758)	1,297,419	(14,072)	213,306
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 34,986	\$ 1,459,597	\$ (6,489)	\$ 117,096

<u>Sidewalk Improvement</u>	<u>Tree Ordinance</u>	<u>Drug Forfeiture</u>	<u>Police Grants and Donations</u>	<u>Metro Act</u>	<u>Total</u>
	\$ 36,650				\$ 36,650
		\$ 10,765			454,480
			\$ 12,143		10,765
				\$ 9,871	113,648
\$ 66	1,923			30	95,501
	742		3,409		14,435
					620,367
66	39,315	10,765	\$ 15,552	9,901	1,345,846
					383,478
			6,373		6,373
41,997	24,414				66,411
			7,493		123,081
					311,886
41,997	24,414	0	13,866	0	891,229
(41,931)	14,901	10,765	1,686	9,901	454,617
25,000					175,000
					(500,000)
25,000	0	0	0	0	(325,000)
(16,931)	14,901	10,765	1,686	9,901	129,617
23,126	561,896	57,930	2,308	0	2,141,155
<u>\$ 6,195</u>	<u>\$ 576,797</u>	<u>\$ 68,695</u>	<u>\$ 3,994</u>	<u>\$ 9,901</u>	<u>\$ 2,270,772</u>

**SCHEDULE OF REVENUE AND OTHER SOURCES -- BUDGET AND ACTUAL --
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

CITY OF AUBURN HILLS

Exhibit D-3

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Amended Budget</u>
<u>WAYNE-OAKLAND DISPOSAL</u>				
Use of money and property.....	\$ 1,000	\$ 1,000	\$ 2,245	\$ 1,245
Other.....	625,000	625,000	614,716	(10,284)
TOTALS	<u>\$ 626,000</u>	<u>\$ 626,000</u>	<u>\$ 616,961</u>	<u>\$ (9,039)</u>
<u>RETIREE HEALTH CARE</u>				
Use of money and property.....	\$ 35,000	\$ 11,000	\$ 9,959	\$ (1,041)
Charges for services.....	471,398	468,000	454,480	(13,520)
TOTALS	<u>\$ 506,398</u>	<u>\$ 479,000</u>	<u>\$ 464,439</u>	<u>\$ (14,561)</u>
<u>COMMUNITY DEVELOPMENT BLOCK GRANT</u>				
Federal sources.....	\$ 83,300	\$ 83,300	\$ 101,505	\$ 18,205
TOTALS	<u>\$ 83,300</u>	<u>\$ 83,300</u>	<u>\$ 101,505</u>	<u>\$ 18,205</u>
<u>PARK IMPROVEMENT</u>				
Use of money and property.....		\$ 210	\$ 212	\$ 2
State sources.....	\$ 235,000	85,630	85,630	0
General fund appropriation.....	75,000	150,000	150,000	0
Other.....		1,500	1,500	0
TOTALS	<u>\$ 310,000</u>	<u>\$ 237,340</u>	<u>\$ 237,342</u>	<u>\$ 2</u>
<u>SIDEWALK IMPROVEMENT</u>				
Use of money and property.....		\$ 65	\$ 66	\$ 1
General fund appropriation.....	\$ 25,000	25,000	25,000	0
TOTALS	<u>\$ 25,000</u>	<u>\$ 25,065</u>	<u>\$ 25,066</u>	<u>\$ 1</u>
<u>TREE ORDINANCE</u>				
Licenses and Permits.....			\$ 36,650	36,650
Use of money and property.....			1,923	1,923
Other.....			742	742
TOTALS	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 39,315</u>	<u>\$ 39,315</u>
<u>DRUG FORFEITURE</u>				
Fines and forfeitures.....	\$ 1,000	\$ 1,000	\$ 10,765	9,765
TOTALS	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 10,765</u>	<u>\$ 9,765</u>
<u>POLICE GRANTS AND DONATIONS</u>				
Federal sources.....	\$ 10,000	\$ 10,000	12,143	2,143
Other.....	5,949	5,949	3,409	(2,540)
TOTALS	<u>\$ 15,949</u>	<u>\$ 15,949</u>	<u>\$ 15,552</u>	<u>\$ (397)</u>
<u>Metro Act</u>				
State sources.....			\$ 9,871	\$ 9,871
Use of money and property.....			30	30
TOTALS	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,901</u>	<u>\$ 9,901</u>

**SCHEDULE OF EXPENDITURES AND OTHER USES -- BUDGET AND ACTUAL--
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

Exhibit D-4

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Amended Budget</u>
<u>WAYNE-OAKLAND DISPOSAL</u>				
Supplies and services.....	\$ 90,000	\$ 90,000	\$ 81,217	\$ 8,783
Transfer to Clubhouse Construction.....	500,000	500,000	500,000	0
TOTALS	<u>\$ 590,000</u>	<u>\$ 590,000</u>	<u>\$ 581,217</u>	<u>\$ 8,783</u>
<u>RETIREE HEALTH CARE</u>				
Fringe benefits.....	\$ 289,867	\$ 298,500	\$ 302,261	\$ (3,761)
Supplies and services.....	3,000	0	0	0
TOTALS	<u>\$ 292,867</u>	<u>\$ 298,500</u>	<u>\$ 302,261</u>	<u>\$ (3,761)</u>
<u>COMMUNITY DEVELOPMENT BLOCK GRANT</u>				
Supplies and services.....	\$ 83,300	\$ 83,300	\$ 93,922	\$ (10,622)
TOTALS	<u>\$ 83,300</u>	<u>\$ 83,300</u>	<u>\$ 93,922</u>	<u>\$ (10,622)</u>
<u>PARK IMPROVEMENT</u>				
Supplies and services.....	\$ 27,500	\$ 28,232	\$ 29,159	\$ (927)
Capital outlay.....	278,000	312,524	304,393	8,131
TOTALS	<u>\$ 305,500</u>	<u>\$ 340,756</u>	<u>\$ 333,552</u>	<u>\$ 7,204</u>
<u>SIDEWALK IMPROVEMENT</u>				
Supplies and services.....	\$ 30,000	\$ 31,200	\$ 41,997	\$ (10,797)
TOTALS	<u>\$ 30,000</u>	<u>\$ 31,200</u>	<u>\$ 41,997</u>	<u>\$ (10,797)</u>
<u>TREE ORDINANCE</u>				
Supplies and services.....	\$ 70,000	\$ 70,000	\$ 24,414	\$ 45,586
TOTALS	<u>\$ 70,000</u>	<u>\$ 70,000</u>	<u>\$ 24,414</u>	<u>\$ 45,586</u>
<u>POLICE GRANTS AND DONATIONS</u>				
Supplies and services.....	\$ 16,743	\$ 16,743	\$ 13,866	\$ 2,877
TOTALS	<u>\$ 16,743</u>	<u>\$ 16,743</u>	<u>\$ 13,866</u>	<u>\$ 2,877</u>

COMBINING FINANCIAL STATEMENTS

DEBT SERVICE FUNDS

DEBT SERVICE FUNDS

Special Assessment Paving Bonds-This fund is used to account for the fund and payment of principal and interest on debt issued for the extension and paving of Harmon Road. Property tax special assessments are made to the benefiting property owners.

Street Improvement Bonds-This fund is used to account for the funding and payment of principal and interest on debt issued to pave City streets. Funding for this fund is primarily through a separate millage for debt retirement.

Library Expansion-This fund is used to account for funding and payment of principal and interest on debt issued to finance the renovation of the City Library. The City Library, a separate governmental entity, leases this facility from the City.

Chapter 20 Drain-This fund is used to account for funding and payment of principal and interest on debt issued to finance the location, establishment, and construction of the Kasper Drain as well as the maintenance of this drain.

COMBINING BALANCE SHEET -- DEBT SERVICE FUNDS
DECEMBER 31, 2003

CITY OF AUBURN HILLS

	Special Assessment Paving Bonds	Street Improvement Bonds
<u>ASSETS</u>		
Cash and cash equivalents.....		\$ 69,775
Receivables-taxes.....		1,006,803
Due from other funds.....		
TOTAL ASSETS	\$ 0	\$ 1,076,578
<u>LIABILITIES AND FUND BALANCES</u>		
<u>LIABILITIES</u>		
Accounts payable.....		\$ 59,097
Deferred revenue.....		1,006,803
TOTAL LIABILITIES	\$ 0	1,065,900
<u>FUND BALANCES</u>		
Fund balances-unreserved:		
Designated for next year's budget.....		10,678
Undesignated.....		
TOTAL FUND BALANCES	0	10,678
TOTAL LIABILITIES AND FUND BALANCES	\$ 0	\$ 1,076,578

Exhibit E-1

<u>Library Expansion</u>	<u>Chapter 20 Drains</u>	<u>Total</u>
\$ 345,700		\$ 415,475
417,234		1,424,037
	\$ 6,486	6,486
<u>\$ 762,934</u>	<u>\$ 6,486</u>	<u>\$ 1,845,998</u>
\$ 25,243	\$ 6,486	\$ 90,826
417,234		1,424,037
	6,486	1,514,863
442,477		
128,954		128,954
191,503		202,181
320,457	0	331,135
<u>\$ 762,934</u>	<u>\$ 6,486</u>	<u>\$ 1,845,998</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -- DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

CITY OF AUBURN HILLS

	Special Assessment Paving Bonds	Street Improvement Bonds
REVENUE		
Property taxes.....		\$ 942,324
Use of money and property.....	\$ 1,325	5,132
TOTAL REVENUE	1,325	947,456
EXPENDITURES		
Current expenditures:		
Streets, highways, & public improvements.....	122,567	1,225
Debt service:		
MTT refunds.....		122,398
Principal payments.....	55,000	1,350,000
Interest payments.....	3,768	105,462
TOTAL EXPENDITURES	181,335	1,579,085
REVENUES OVER (UNDER) EXPENDITURES	(180,010)	(631,629)
OTHER FINANCING SOURCES (USES)		
Transfers-out.....	(12,665)	
TOTAL OTHER FINANCING SOURCES (USES)	(12,665)	0
REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(192,675)	(631,629)
Fund balance-beginning of year.....	192,675	642,307
FUND BALANCE-END OF YEAR	\$ 0	\$ 10,678

Exhibit E-2

<u>Library Expansion</u>	<u>Chapter 20 Drains</u>	<u>Total</u>
\$ 377,353	\$ 19,218	\$ 1,338,895
3,158	205	9,820
380,511	19,423	1,348,715
675		124,467
51,988	13,400	187,786
375,000		1,780,000
92,060		201,290
519,723	13,400	2,293,543
(139,212)	6,023	(944,828)
	(23,195)	(35,860)
0	(23,195)	(35,860)
(139,212)	(17,172)	(980,688)
459,669	17,172	1,311,823
<u>\$ 320,457</u>	<u>\$ 0</u>	<u>\$ 331,135</u>

**SCHEDULE OF REVENUES AND OTHER SOURCES--BUDGET AND ACTUAL--
DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

CITY OF AUBURN HILLS

Exhibit E-3

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<u>SPECIAL ASSESSMENT PAVING BONDS</u>				
Use of money and property.....	\$ 2,500	\$ 2,500	\$ 1,325	\$ (1,175)
TOTALS	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ 1,325</u>	<u>\$ (1,175)</u>
<u>STREET IMPROVEMENT BONDS</u>				
Property taxes.....	\$ 942,677	\$ 942,677	\$ 942,324	\$ (353)
Use of money and property.....	30,000	30,000	5,132	(24,868)
TOTALS	<u>\$ 972,677</u>	<u>\$ 972,677</u>	<u>\$ 947,456</u>	<u>\$ (25,221)</u>
<u>LIBRARY EXPANSION</u>				
Property taxes.....	\$ 374,198	\$ 374,198	\$ 377,353	\$ 3,155
Use of money and property.....	8,500	8,500	3,158	(5,342)
TOTALS	<u>\$ 382,698</u>	<u>\$ 382,698</u>	<u>\$ 380,511</u>	<u>\$ (2,187)</u>
<u>CHAPTER 20 DRAINS</u>				
Property taxes.....	\$ 21,204	\$ 20,180	\$ 19,218	\$ (962)
Use of money and property.....	0	186	205	19
TOTALS	<u>\$ 21,204</u>	<u>\$ 20,366</u>	<u>\$ 19,423</u>	<u>\$ (943)</u>

**SCHEDULE OF EXPENDITURES AND OTHER USES -- BUDGET AND ACTUAL--
DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

CITY OF AUBURN HILLS

Exhibit E-4

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Amended Budget</u>
<u>SPECIAL ASSESSMENT PAVING BONDS</u>				
Other.....	\$ 800	\$ 800	\$ 122,567	\$ 121,767
Debt service:				
Principal payments.....	55,000	55,000	55,000	0
Interest payments.....	3,767	3,767	3,768	1
Transfer to General Fund.....	135,139	135,139	12,665	(122,474)
TOTALS	<u>\$ 194,706</u>	<u>\$ 194,706</u>	<u>\$ 194,000</u>	<u>\$ (706)</u>
<u>STREET IMPROVEMENT BONDS</u>				
Other.....	\$ 2,500	\$ 625	\$ 1,225	\$ 600
Debt service:				
MTT refunds.....	180,189	85,000	122,398	37,398
Principal payments.....	575,000	1,350,000	1,350,000	0
Interest payments.....	124,238	105,463	105,462	(1)
TOTALS	<u>\$ 881,927</u>	<u>\$ 1,541,088</u>	<u>\$ 1,579,085</u>	<u>\$ 37,997</u>
<u>LIBRARY EXPANSION</u>				
Other.....	\$ 775	\$ 775	\$ 675	\$ (100)
Debt service:				
MTT refunds.....	71,423	71,423	51,988	(19,435)
Principal payments.....	375,000	375,000	375,000	0
Interest payments.....	92,061	92,061	92,060	(1)
TOTALS	<u>\$ 539,259</u>	<u>\$ 539,259</u>	<u>\$ 519,723</u>	<u>\$ (19,536)</u>
<u>CHAPTER 20 DRAINS</u>				
Debt service:				
MTT refunds.....	23,533	5,296	13,400	8,104
Transfer to General Fund.....		31,243	23,195	(8,048)
TOTALS	<u>\$ 23,533</u>	<u>\$ 36,539</u>	<u>\$ 36,595</u>	<u>\$ 56</u>

COMBINING FINANCIAL STATEMENTS

CAPITAL PROJECT FUNDS

CAPITAL PROJECT FUNDS

Street Improvement-This fund is used to account for the revenues specifically designated for street improvements in the City. This fund is funded primarily through General Fund appropriation as well as the balance of bond proceeds specifically for street improvements.

Clubhouse Construction-This fund is used to account for the revenues and expenditures related to the construction of a clubhouse for the Fieldstone Golf Club. This project is being financed by contributions from other City funds.

Storm Water Management-This fund is used to account for the revenues and expenditures relating to Storm Water Management projects in the City. This fund is funded primarily through General Fund appropriations as well as transfers from other City funds.

COMBINING BALANCE SHEET -- CAPITAL PROJECT FUNDS
DECEMBER 31, 2003

CITY OF AUBURN HILLS

Exhibit F-1

	<u>Street Improvement</u>	<u>Clubhouse Construction</u>	<u>Storm Water Management</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and cash equivalents.....		\$ 768,653		\$ 768,653
Receivables:				
Due from other governmental units.....	\$ 717,566		\$ 358,599	1,076,165
Due from other funds.....	860,240		300,000	1,160,240
TOTAL ASSETS	\$ 1,577,806	\$ 768,653	\$ 658,599	\$ 3,005,058
<u>LIABILITIES AND FUND EQUITY (DEFICIT)</u>				
<u>LIABILITIES</u>				
Accounts payable.....	\$ 536,111	\$ 317,346	\$ 7,334	\$ 860,791
Accrued payroll and other liabilities.....			590	590
Due to other funds.....	931,287		326,067	1,257,354
Deferred revenue.....	702,550			702,550
TOTAL LIABILITIES	2,169,948	317,346	333,991	2,821,285
<u>FUND BALANCE (DEFICIT)</u>				
Unreserved:				
Designated for subsequent year's budget.....		451,307	268,592	719,899
Undesignated.....	(592,142)		56,016	(536,126)
TOTAL FUND BALANCES (DEFICIT)	(592,142)	451,307	324,608	183,773
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,577,806	\$ 768,653	\$ 658,599	\$ 3,005,058

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICIT) -- CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

CITY OF AUBURN HILLS

Exhibit F-2

	<u>Street Improvement</u>	<u>Clubhouse Construction</u>	<u>Storm Water Management</u>	<u>Total</u>
REVENUE				
Use of money and property.....	\$ 5,574		\$ 134	\$ 5,708
Other	250,000		358,599	608,599
TOTAL REVENUE	255,574	\$ 0	358,733	614,307
EXPENDITURES				
Streets, highways & public improvements.....	69,581		136,104	205,685
Capital outlay.....	4,619,598	548,693	108,177	5,276,468
Debt service:				
Principal payments.....			25,000	25,000
Interest payments.....			44,213	44,213
TOTAL EXPENDITURES	4,689,179	548,693	313,494	5,551,366
REVENUE OVER (UNDER) EXPENDITURES	(4,433,605)	(548,693)	45,239	(4,937,059)
OTHER FINANCING SOURCES				
General fund transfers.....	2,100,000			2,100,000
Transfers-in.....		1,000,000		1,000,000
TOTAL OTHER FINANCING SOURCES	2,100,000	1,000,000	0	3,100,000
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(2,333,605)	451,307	45,239	(1,837,059)
Fund balances at beginning of year.....	1,741,463	0	279,369	2,020,832
FUND BALANCES (DEFICIT) AT END OF YEAR	\$ (592,142)	\$ 451,307	\$ 324,608	\$ 183,773

**SCHEDULE OF REVENUE AND OTHER SOURCES -- BUDGET AND ACTUAL --
CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

CITY OF AUBURN HILLS

Exhibit F-3

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Amended Budget</u>
<u>STREET IMPROVEMENT</u>				
Use of money and property.....	\$ 15,000	\$ 5,650	\$ 5,574	\$ (76)
State sources.....	535,000	535,000	0	(535,000)
Other revenue.....	0	417,550	250,000	(167,550)
General fund appropriation.....	1,000,000	2,100,000	2,100,000	0
TOTALS	\$ 1,550,000	\$ 3,058,200	\$ 2,355,574	\$ (702,626)
<u>Clubhouse Construction</u>				
Transfer from Police	\$ 500,000	\$ 500,000	\$ 500,000	\$ 0
Transfer from Wayne Oakland Disposal.....	500,000	500,000	500,000	0
TOTALS	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 0
<u>STORM WATER MANAGEMENT</u>				
Use of money and property.....	\$ 10,000	\$ 135	\$ 134	\$ (1)
Other revenue.....	119,533	358,599	358,599	0
General fund appropriation.....	150,000	0	0	0
TOTALS	\$ 279,533	\$ 358,734	\$ 358,733	\$ (1)

**SCHEDULE OF EXPENDITURES AND OTHER USES -- BUDGET AND ACTUAL --
CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

CITY OF AUBURN HILLS

Exhibit F-4

	Original Budget	Final Budget	Actual	Actual Over (Under) Amended Budget
<u>STREET IMPROVEMENT</u>				
Capital outlay.....	\$ 5,000	\$ 59,930	\$ 69,581	\$ 9,651
Other.....	3,288,000	4,629,725	4,619,598	(10,127)
TOTALS	\$ 3,293,000	\$ 4,689,655	\$ 4,689,179	\$ (476)
<u>Clubhouse Construction</u>				
Capital outlay.....	\$ 1,000,000	\$ 1,000,000	\$ 548,693	\$ (451,307)
TOTALS	\$ 1,000,000	\$ 1,000,000	\$ 548,693	\$ (451,307)
<u>STORM WATER MANAGEMENT</u>				
Personnel services.....	\$ 44,026	\$ 44,175	\$ 47,834	\$ 3,659
Fringe benefits.....	17,968	19,525	19,736	211
Capital outlay.....	105,000	154,110	108,177	(45,933)
Other.....	53,548	53,918	68,534	14,616
Debt service:				
Principal payments.....	25,000	25,000	25,000	0
Interest payments.....	44,213	44,213	44,213	0
TOTALS	\$ 289,755	\$ 340,941	\$ 313,494	\$ (27,447)

COMBINING FINANCIAL STATEMENTS

INTERNAL SERVICE FUNDS

INTERNAL SERVICE FUNDS

Fleet Management-This fund is used to account for the operations of all City vehicles excluding Fire Department Apparatus

Accrued Sick and Vacation-This fund is used to account for the liability of accrued sick, vacation, and compensatory time

STATEMENT OF NET ASSETS -- INTERNAL SERVICE FUNDS
DECEMBER 31, 2003

CITY OF AUBURN HILLS

Exhibit G-1

	<u>Fleet Management</u>	<u>Accrued Sick & Vacation</u>	<u>Total</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash and cash equivalents.....	\$ 922,751		\$ 922,751
Receivables:			
Due from other funds.....		\$ 1,228,735	1,228,735
TOTAL CURRENT ASSETS	922,751	1,228,735	2,151,486
<u>LAND, BUILDINGS AND EQUIPMENT</u>			
Machinery & equipment.....	761,052		761,052
Vehicles.....	2,813,683		2,813,683
TOTAL CAPITAL ASSETS	3,574,735	0	3,574,735
Less: Allowance for depreciation.....	2,066,561		2,066,561
TOTAL CAPITAL ASSETS NET OF DEPRECIATION	1,508,174	0	1,508,174
TOTAL ASSETS	2,430,925	1,228,735	3,659,660
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts payable.....	169,548		169,548
Due to other funds.....	28,298		28,298
Accrued payroll and other liabilities.....	4,107	1,228,735	1,232,842
TOTAL LIABILITIES	201,953	1,228,735	1,430,688
<u>NET ASSETS</u>			
Invested in capital assets.....	1,508,174		1,508,174
Undesignated.....	720,798		720,798
TOTAL NET ASSETS	\$ 2,228,972	\$ 0	\$ 2,228,972

COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN
FUND NET ASSETS -- INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

CITY OF AUBURN HILLS

Exhibit G-2

	<u>Fleet Management</u>	<u>Accrued Sick & Vacation</u>	<u>Total</u>
<u>OPERATING REVENUE</u>			
Equipment rental charges.....	\$ 1,113,440		\$ 1,113,440
Vehicle rental fees.....	508,900		508,900
Other operating income.....		\$ 79,740	79,740
TOTAL OPERATING REVENUE	1,622,340	79,740	1,702,080
<u>OPERATING EXPENSES</u>			
Salaries and wages.....	166,519	75,353	241,872
Fringe benefits.....	122,497	4,387	126,884
Supplies.....	217,589		217,589
Contracted services.....	73,578		73,578
Other operating expenses.....	274,799		274,799
Depreciation and amortization.....	516,668		516,668
TOTAL OPERATING EXPENSES	1,371,650	79,740	1,451,390
TOTAL OPERATING INCOME	250,690	0	250,690
<u>NONOPERATING REVENUE</u>			
Interest earned.....	9,005		9,005
Other income.....	83,621		83,621
TOTAL NONOPERATING REVENUE	92,626	0	92,626
CHANGE IN NET ASSETS	343,316	0	343,316
Net assets-beginning of year.....	1,885,656	0	1,885,656
NET ASSETS AT END OF YEAR	\$ 2,228,972	\$ 0	\$ 2,228,972

COMBINING STATEMENT OF CASH FLOWS- INTERNAL SERVICE FUNDS

CITY OF AUBURN HILLS

Exhibit G-3

	<u>Fleet Management</u>	<u>Accured Sick & Vacation</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Cash received from customers.....	\$ 1,622,340		\$ 1,622,340
Cash payments for goods and services.....	(290,217)		(290,217)
Cash payments to employees.....	(295,998)		(295,998)
Other operating expenses.....	(274,799)		(274,799)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	761,326	\$ 0	761,326
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>			
Other nonoperating receipts.....	64,816		64,816
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	64,816	0	64,816
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Purchase of capital assets.....	(982,510)		(982,510)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(982,510)	0	(982,510)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest received on investments.....	9,005		9,005
NET CASH PROVIDED BY INVESTING ACTIVITIES	9,005	0	9,005
Net Increase (decrease) in cash and cash equivalents.....	(147,363)		(147,363)
Cash and cash equivalents-Beginning of year.....	1,070,114	0	1,070,114
Cash and cash equivalents-end of year.....	<u>\$ 922,751</u>	<u>\$ 0</u>	<u>\$ 922,751</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>			
Operating income (loss)	\$ 250,690	\$ 0	\$ 250,690
<u>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>			
Depreciation and Amortization Expense	516,668		516,668
Decrease (increase) in due from other funds		(79,740)	(79,740)
Increase (decrease) in accounts payable	(1,239)		(1,239)
Increase (decrease) in due to other funds	2,189		2,189
Increase (decrease) in accrued payroll and other liabilities	(6,982)	79,740	72,758
Total Adjustments	510,636	0	510,636
Net cash provided by (used in) operating activities	<u>\$ 761,326</u>	<u>\$ 0</u>	<u>\$ 761,326</u>

AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2003

CITY OF AUBURN HILLS

Exhibit H-1

	Balance January 1 <u>2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31 <u>2003</u>
<u>ASSETS</u>				
Cash and cash equivalents.....	\$ 4,885,311	\$ 104,286,001	\$ 102,733,994	\$ 6,437,318
<u>LIABILITIES</u>				
Due to other funds.....	184,169		184,169	0
Due to other governmental units.....		95,031		95,031
Undistributed tax collections.....	4,701,142	103,070,146	101,429,001	6,342,287
TOTAL LIABILITIES	\$ 4,885,311	\$ 103,165,177	\$ 101,613,170	\$ 6,437,318

STATISTICAL SECTION

Section III. Statistical Section

The Statistical Section contains data reflecting financial, social, and economic trends of the City in 2003 and prior years. This information was gathered from previous years financial statements, Official Statements for the City's various debt issuances, and from other sources as cited on the individual tables.

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION-GENERAL, SPECIAL
REVENUE, DEBT SERVICE AND CAPITAL PROJECT FUNDS-EXHIBIT A-3-UNAUDITED
LAST TEN YEARS**

CITY OF AUBURN HILLS

<u>Fiscal Year</u>	<u>Legislative</u>	<u>Management and Planning</u>	<u>Public Safety</u>	<u>Streets, Highways & Public Improvements</u>	<u>Community Development</u>
1994	215,391	2,717,621	5,692,320	2,412,122	372,752
1995	293,534	2,783,137	5,946,096	1,385,585	792,092
1996	336,784	3,182,499	5,751,093	1,488,232	671,131
1997	350,707	3,392,598	5,928,752	1,772,629	659,017
1998	226,965	3,529,261	6,426,187	1,444,123	799,128
1999	259,735	2,423,393	6,951,380	1,943,559	2,114,466
2000	246,868	2,526,593	7,640,208	2,116,844	2,149,664
2001	233,286	2,735,359	8,901,026	2,008,803	2,238,859
2002	211,129	3,090,982	9,831,858	2,566,915	1,976,201
2003	279,303	4,104,089	12,953,894	2,888,899	2,087,143

**GENERAL GOVERNMENTAL REVENUES BY SOURCE-GENERAL, SPECIAL
REVENUE, DEBT SERVICE, AND CAPITAL PROJECT FUNDS-EXHIBIT A-3-UNAUDITED
LAST TEN YEARS**

CITY OF AUBURN HILLS

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Special Assessments</u>	<u>Licenses and Permits</u>	<u>Charges For Services</u>	<u>Fines and Forfeitures</u>
1994	7,108,568	263,847	817,521	445,118	268,154
1995	7,756,284	376,374	1,078,308	1,143,200	211,971
1996	8,429,805	287,837	1,138,165	2,232,933	148,623
1997	9,202,498	92,232	1,288,671	1,483,452	130,642
1998	10,095,136	33,318	1,932,941	1,204,079	278,708
1999	11,228,967	91,004	1,742,051	1,597,129	200,113
2000	14,088,633	484,074	1,484,326	1,707,417	200,495
2001	16,043,923	864,463	1,550,459	1,252,284	160,229
2002	17,562,609	365,000	791,556	1,282,456	243,526
2003	18,615,896	343,000	723,766	1,339,210	230,370

Table 1

<u>General Support</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
1,088,704	994,028	1,479,333	14,972,271
1,013,586	2,672,703	2,352,393	17,239,126
1,108,796	2,151,347	2,396,805	17,086,687
1,318,451	2,309,886	2,458,903	18,190,943
1,355,812	3,404,074	2,293,400	19,478,950
1,350,204	8,104,189	2,275,943	25,422,869
1,562,859	10,640,660	3,077,190	29,960,886
1,931,543	7,551,145	3,193,536	28,793,557
2,118,557	4,749,993	3,925,115	28,470,750
2,365,671	5,957,049	2,896,961	33,533,009

Table 2

<u>Federal Sources</u>	<u>State Sources</u>	<u>Use of Money & Property</u>	<u>Administrative & Interfund Charges</u>	<u>Other Revenues</u>	<u>Total</u>
34,432	2,189,892	1,336,284	2,484,536	3,811,235	18,759,587
79,604	2,489,886	1,887,369	2,421,576	157,937	17,602,509
148,214	2,488,548	973,473	2,117,527	533,982	18,499,107
18,694	2,843,889	1,894,917	1,711,113	224,201	18,890,309
117,454	3,911,771	2,226,628	1,677,387	788,819	22,266,241
204,967	2,760,322	2,523,665	1,708,416	1,228,294	23,284,928
148,791	3,311,227	4,305,844	1,822,690	1,321,335	28,874,832
126,400	4,294,296	3,785,570	2,068,404	1,089,399	31,235,427
59,318	4,565,547	1,551,434	2,966,266	1,600,998	30,988,710
122,179	3,142,324	1,366,322	2,919,304	1,792,846	30,595,217

PROPERTY TAX LEVIES AND COLLECTIONS-UNAUDITED
Last Ten Fiscal Years

CITY OF AUBURN HILLS

Table 3

Fiscal ⁽¹⁾ Year	Tax Levy	As of March 1st.	Percent of Levy Collected	As of December 31		Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
		Current Tax Collections		Delinquent Tax Collections	Total Tax Collections			
1994	7,498,909	7,075,539	94.4	364,455	7,439,994	99.2	58,915	0.8 %
1995	7,397,253	7,173,799	97.0	177,668	7,351,467	99.4	45,786	0.6
1996	7,985,570	7,727,012	96.8	246,362	7,973,374	99.8	12,196	0.2
1997	8,606,515	8,458,620	98.3	253,176	8,711,796	101.2	(105,281)	(1.2)
1998	9,724,016	9,262,224	95.3	283,710	9,545,934	98.2	178,082	1.8
1999	11,264,007	10,624,604	94.3	604,363	11,228,967	99.7	35,040	0.3
2000	14,349,314	13,350,208	93.0	738,425	14,088,633	98.2	260,681	1.8
2001	15,601,743	14,733,677	94.4	901,127	15,634,804	100.2	(33,061)	(0.2)
2002	18,005,761	17,135,487	95.2	801,238	17,936,725	99.6	69,036	0.4
2003	19,356,418	18,351,757	94.8	965,577	19,317,334	99.8	39,084	0.2

⁽¹⁾ Represents the year that the tax is collected - 2003 represents the 2002 tax levy.

TAXABLE AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY-UNAUDITED (In Thousands)
Last Ten Years

CITY OF AUBURN HILLS

Table 4

Fiscal ¹ Year	Real Property		Personal Property		Total		Ratio Of Total Taxable Value To Total Estimated Actual Value
	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	
1994	693,587	1,387,174	231,373	462,746	924,960	1,849,920	50.0%
1995	750,513	1,554,323	263,014	526,028	1,013,527	2,080,351	48.7%
1996	814,043	1,739,235	309,431	618,862	1,123,474	2,358,097	47.6%
1997	911,173	1,966,170	370,448	740,896	1,281,621	2,707,066	47.3%
1998	1,016,707	2,390,140	372,279	744,558	1,388,986	3,134,698	44.3%
1999	1,054,875	2,613,792	522,926	1,045,852	1,577,801	3,659,644	43.1%
2000	1,369,508	3,432,912	573,550	1,147,099	1,943,058	4,580,011	42.4%
2001	1,551,014	3,954,542	626,913	1,253,827	2,177,927	5,208,369	41.8%
2002	1,700,688	4,324,936	648,844	1,297,678	2,349,532	5,622,614	41.8%
2003	1,732,553	4,493,429	597,693	1,201,186	2,330,246	5,694,615	40.9%

⁽¹⁾ Represents the year in which property taxes are levied, collections of which will be received in the subsequent year.

**PROPERTY TAX RATES-DIRECT AND ALL OVERLAPPING GOVERNMENTS
(PER \$1,000 OF STATE EQUALIZED VALUE)-UNAUDITED
Last Ten Years**

CITY OF AUBURN HILLS

Table 5

City of Auburn Hills											
<u>Fiscal Year</u>	<u>General Fund</u>	<u>Fire</u>	<u>Police</u>	<u>Library</u>	<u>Extra Voted Debt</u>	<u>Oakland County</u>	<u>Oakland Intermed. Schools</u>	<u>Oakland Community College</u>	<u>SMART Transit</u>	<u>Schools</u>	<u>Total</u>
1994	1.00	2.50	6.77	0.73	0.32	4.95	2.13	1.05		42.09	61.54
1995	2.00	1.83	6.24	0.73	1.95	4.95	2.13	0.85		26.80 ²	47.48
1996	2.00	1.83	6.24	0.73	1.95	4.95	2.13	1.65	0.33	26.80	48.61
1997	2.00	1.83	6.24	0.73	1.54	4.85	2.13	1.65	0.33	26.80	48.10
1998	2.00	1.83	6.22	0.73	1.32	4.82	2.13	1.65	0.33	26.80	47.83
1999	2.00	1.83	6.22	0.73	1.29	4.66	2.12	1.65	0.33	26.80	47.63
2000	2.00	1.78	6.06	0.71	1.21	4.65	2.10	1.63	0.33	26.72	47.19
2001	2.00	1.76	5.99	0.70	1.09	4.65	2.08	1.61	0.32	27.51	47.71
2002	1.75	1.76	5.99	0.70	0.85	4.64	3.45	1.60	0.32	26.68	47.74
2003	1.75	1.76	5.99	0.70	0.79	4.65	3.40	1.60	0.60	28.56	49.80

(1) Represents the year in which property taxes are collected. Taxes were levied in the previous year.
(2) Large decrease in school millage attributable to passage of Proposal A which shifted school funding from property taxes to sales taxes.

**SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS-UNAUDITED
Last Ten Years**

CITY OF AUBURN HILLS

Table 6

<u>Fiscal Year</u>	<u>Assessments Due</u>	<u>Current Assessments Collected</u>	<u>Ratio Of Collections To Amount Due</u>	<u>Total Outstanding Assessments</u>
1994	3,003,442	3,003,442	100.0%	0
1995	4,031,738	4,031,738	100.0%	0
1996	3,880,700	3,880,700	100.0%	0
1997	4,696,452	4,696,452	100.0%	0
1998	4,260,902	4,260,902	100.0%	0
1999	4,075,073	4,075,073	100.0%	0
2000	4,005,567	4,005,567	100.0%	0
2001	2,728,246	2,728,246	100.0%	0
2002	2,864,151	2,864,151	100.0%	0
2003	1,965,720	1,965,720	100.0%	0

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA - UNAUDITED

CITY OF AUBURN HILLS Last Ten Years

Table 7

Fiscal ⁽¹⁾ Year	Population ⁽²⁾	Taxable Value (In Thousands)	Gross Long-Term Debt ⁽³⁾	Debt Service Monies Available	Debt Payable From Enterprise Revenues	Net Bonded Debt	Ratio Of Net Bonded Debt To Assessed Value	Net Bonded Debt Per Capita
1994	17,076	924,960	47,177,732	1,856,949	3,190,617	42,130,166	4.6	2,467
1995	17,076	1,013,527	52,336,297	1,950,045	2,918,988	47,467,264	4.7	2,780
1996	17,076	1,123,474	63,467,597	2,058,685	18,861,599	42,547,313	3.8	2,492
1997	17,076	1,281,621	56,686,166	1,885,710	18,517,275	36,283,181	2.8	2,125
1998	17,076	1,388,986	49,749,450	1,733,440	18,142,893	29,873,117	2.2	1,749
1999	17,076	1,577,801	49,176,185	1,774,681	18,611,071	28,790,433	1.8	1,686
2000	19,837	1,943,058	38,883,004	1,946,749	17,770,487	19,165,768	1.0	966
2001	19,837	2,177,927	30,225,590	2,209,565	16,897,596	11,118,429	0.5	560
2002	19,837	2,349,532	26,890,000	1,521,696	15,875,000	9,493,304	0.4	479
2003	19,837	2,330,246	23,910,000	535,298	15,075,000	8,299,702	0.4	418

⁽¹⁾ Represents the year in which property taxes are levied, collections of which will be made in the subsequent year.

⁽²⁾ 1990 census figures (1993-1999), 2000 census figures (2000-2003)

⁽³⁾ Excludes non-bonded debt. See Table 8 below for 2003 combination.

COMPUTATION OF LEGAL DEBT MARGIN-UNAUDITED DECEMBER 31, 2003

CITY OF AUBURN HILLS

Table 8

State Equalized Value.....		<u>\$ 2,330,245,790</u>
Total Long-Term Debt.....		\$ 24,632,619
Less: Long-term debt not subject to legal debt limit:		
Non-Bonded Debt.....	\$ 722,619	
Special Assessment Bonds.....	<u>5,900,000</u>	<u>6,622,619</u>
	DEBT SUBJECT TO LIMIT	18,010,000
Legal Debt Limit (10% of State Equalized Value of property in the City).....		<u>233,024,579</u>
	LEGAL DEBT MARGIN	<u>\$ 215,014,579</u>

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT-UNAUDITED
DECEMBER 31, 2003**

CITY OF AUBURN HILLS

Table 9

	<u>Net Debt Outstanding</u>	<u>Percent Applicable To City of Auburn Hills</u>	<u>Amount Applicable To City of Auburn Hills</u>
City of Auburn Hills Direct Debt.....	\$ 23,910,000	100.00 %	\$ 23,910,000
Overlapping Debt:			
School Districts:			
Rochester Hills.....	215,380,000	0.56	1,206,128
Lake Orion.....	196,556,159	0.04	78,622
Avondale.....	113,621,809	26.01	29,553,033
Pontiac.....	25,393,000	48.71	12,368,930
Oakland County.....	74,131,112	3.74	2,772,504
Oakland Community College.....	12,895,000	3.77	486,142
Oakland County Intermediate School District.....	350,000	3.76	13,160
TOTAL OVERLAPPING DEBT	<u>638,327,080</u>		<u>46,478,519</u>
TOTAL DIRECT AND OVERLAPPING DEBT	<u>\$ 662,237,080</u>		<u>\$ 70,388,519</u>

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL LONG-TERM
DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES-UNAUDITED
Last Ten Years**

CITY OF AUBURN HILLS

Table 10

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service⁽¹⁾</u>	<u>Total General Governmental Expenditures⁽²⁾</u>	<u>Ratio Of Debt Service To General Govt. Expenditures (Percent)</u>
1994	587,905	554,246	1,142,151	14,972,271	7.6%
1995	995,122	1,023,916	2,019,038	17,239,126	11.7%
1996	1,109,336	981,371	2,090,707	17,086,687	12.2%
1997	1,170,868	992,886	2,163,754	18,265,042	11.8%
1998	1,378,425	914,975	2,293,400	19,478,950	11.8%
1999	1,431,521	844,422	2,275,943	25,422,869	9.0%
2000	2,014,604	1,062,586	3,077,190	29,960,886	10.3%
2001	2,202,865	990,671	3,193,536	28,793,557	11.1%
2002	3,049,480	875,635	3,925,115	28,470,850	13.8%
2003	2,318,598	578,363	2,896,961	33,533,009	8.6%

⁽¹⁾ Excludes bond issuance and other costs.

⁽²⁾ Includes general, special revenue, debt service, and capital project funds.

DEMOGRAPHIC STATISTICS - UNAUDITED

CITY OF AUBURN HILLS

Population Count:

1970.....	13,219 ⁽¹⁾
1980.....	15,388 ⁽¹⁾
1990.....	17,076 ⁽¹⁾
1995.....	18,880 ⁽²⁾
1998.....	19,362 ⁽²⁾
1999.....	19,427 ⁽²⁾
2000.....	19,837 ⁽¹⁾
2001.....	20,322 ⁽²⁾
2002.....	20,197 ⁽²⁾
2003.....	20,537 ⁽²⁾

Age Distribution: ⁽¹⁾

	2000 Census					
	Male		Female		Total	
	Number	% of Total	Number	% of Total	Number	% of Total
Under 5 years old.....	703	7.2%	736	7.4%	1,439	7.3%
5-9 years old.....	572	5.8%	569	5.7%	1,141	5.8%
10-14 years old.....	482	4.9%	464	4.6%	946	4.8%
15-19 years old.....	707	7.2%	824	8.2%	1,531	7.7%
20-24 years old.....	989	10.1%	1,157	11.6%	2,146	10.8%
25-34 years old.....	2,376	24.2%	2,044	20.4%	4,420	22.3%
35-44 years old.....	1,699	17.3%	1,448	14.5%	3,147	15.9%
45-54 years old.....	1,102	11.2%	1,150	11.5%	2,252	11.4%
55-59 years old.....	386	3.9%	423	4.2%	809	4.1%
60-64 years old.....	259	2.6%	299	3.0%	558	2.8%
65-74 years old.....	326	3.3%	442	4.4%	768	3.9%
75 years old and over.....	230	2.3%	450	4.5%	680	3.2%
	<u>9,831</u>	<u>100.0%</u>	<u>10,006</u>	<u>100.0%</u>	<u>19,837</u>	<u>100.0%</u>

Distribution of families by income bracket: ⁽¹⁾

	1999	
	Number	% of Total
Less than \$10,000.....	415	5.1%
\$10,000 to \$14,999.....	367	4.5%
\$15,000 to \$24,999.....	695	8.6%
\$25,000 to \$34,999.....	996	12.3%
\$35,000 to \$49,999.....	1,428	17.7%
\$50,000 to \$74,999.....	1,876	23.3%
\$75,000 to \$99,999.....	1,370	16.9%
\$100,000 to \$149,999.....	623	7.7%
\$150,000 to \$199,999.....	178	2.2%
Over \$200,000.....	138	1.7%
	<u>8,086</u>	<u>100.0%</u>

⁽¹⁾ U.S. Census of Population

⁽²⁾ Estimate from Southeast Michigan Council of Governments (SEMCOG)

Table 11

<u>Unemployment ⁽³⁾</u>		<u>Per Capita Income-Oakland County ⁽⁴⁾</u>	
1991.....	5.7%	1991.....	28,073
1992.....	5.8%	1992.....	29,633
1993.....	4.8%	1993.....	31,319
1994.....	3.5%	1994.....	33,731
1995.....	2.9%	1995.....	35,735
1996.....	2.6%	1996.....	36,854
1997.....	2.2%	1997.....	38,913
1998.....	2.0%	1998.....	41,775
1999.....	2.0%	1999.....	44,146
2000.....	1.7%	2000.....	32,534
2001.....	2.9%	2001.....	46,282
2002.....	3.7%	2002.....	N/A
2003.....	4.1%	2003.....	N/A

<u>Employment by Industrial Class ⁽⁵⁾</u>	<u>1990</u>	<u>1995</u>	<u>2000⁽⁶⁾</u>	<u>2010⁽⁶⁾</u>	<u>2020⁽⁶⁾</u>
Agriculture & natural resources.....	256	228	222	225	217
Manufacturing.....	5,353	13,222	18,663	26,434	30,125
Transportation, communication, and utilities.....	770	865	1,089	1,387	1,446
Wholesale trade.....	1,194	1,860	2,450	3,547	4,101
Retail trade.....	2,263	2,498	2,721	3,305	3,591
Finance, insurance, and real-estate.....	2,602	2,914	3,133	3,476	3,655
Services.....	9,572	11,950	14,545	16,989	18,636
Public administration.....	192	194	215	246	268
TOTAL	<u>22,202</u>	<u>33,731</u>	<u>43,038</u>	<u>55,609</u>	<u>62,039</u>

⁽³⁾ Michigan Employment Service Agency, Labor Market Analysis Section

⁽⁴⁾ U.S. Department of Commerce, Bureau of Economic Analysis

⁽⁵⁾ Southeast Michigan Council of Governments

⁽⁶⁾ Projected

PROPERTY VALUE AND CONSTRUCTION ACTIVITY-UNAUDITED

CITY OF AUBURN HILLS Last Ten Years

Table 12

Fiscal Year	Construction				Estimated Actual Property Values		
	Residential		Commercial		Real	Personal	Total
	Number of Bldgs.	Value	Number of Bldgs.	Value			
1994	122	12,129,000	N/A	21,106,000	1,387,174,000	462,746,000	1,849,920,000
1995	145	16,395,762	57	74,980,821	1,554,323,000	526,028,000	2,080,351,000
1996	82	15,271,148	106	66,775,581	1,739,235,000	618,862,000	2,358,097,000
1997	36	6,757,947	68	101,651,149	1,966,170,000	740,896,000	2,707,066,000
1998	87	27,134,221	62	81,322,389	2,390,140,000	744,558,000	3,134,698,000
1999	136	23,245,869	67	137,690,443	2,613,792,000	1,045,852,000	3,659,644,000
2000	300	26,639,304	197	144,258,909	3,432,912,000	1,147,099,000	4,580,011,000
2001	86	12,096,449	29	70,025,356	3,954,542,000	1,253,827,000	5,208,369,000
2002	184	26,384,009	21	32,205,782	4,324,936,000	1,297,678,000	5,622,614,000
2003	354	25,125,641	191	58,631,935	4,493,429,000	1,201,186,000	5,694,615,000

PRINCIPAL TAXPAYERS - UNAUDITED DECEMBER 31, 2003

CITY OF AUBURN HILLS

Table 13

	Ad Valorem			Specific SEV	Total	% Of Total SEV
	Real SEV	Personal SEV	Total			
DaimlerChrysler.....	\$ 311,362,937	\$ 97,131,260	\$ 408,494,197	\$ 93,579,390	\$ 502,073,587	21.5%
Taubman Auburn Hills.....	69,434,630	565,200	69,999,830		69,999,830	3.0%
Electronic Data Systems.....	13,014,393	27,520,900	40,535,293	1,568,860	42,104,153	1.8%
Valeo, Inc.....	26,799,780	6,411,810	33,211,590	1,926,110	35,137,700	1.5%
Comerica Properties.....	32,483,550	960,320	33,443,870		33,443,870	1.4%
Arena Associates.....	27,102,360	4,349,650	31,452,010		31,452,010	1.3%
Volkswagon of America	18,752,740	6,389,650	25,142,390		25,142,390	1.1%
Beckaert ECD Solar Systems...		3,887,620	3,887,620	20,949,650	24,837,270	1.1%
Borg Warner, Inc.	3,904,550	5,515,720	9,420,270	13,381,810	22,802,080	1.0%
Jabil Circuit, Inc.....	6,785,710	6,808,300	13,594,010	8,934,930	22,528,940	1.0%
TOTAL	\$ 509,640,650	\$ 159,540,430	\$ 669,181,080	\$ 140,340,750	\$ 809,521,830	34.7%

**PRINCIPAL EMPLOYERS - UNAUDITED
DECEMBER 31, 2003**

CITY OF AUBURN HILLS

Table 14

<u>Company</u>	<u>Product or Service</u>	<u>Approximate Number of Employees</u>
DaimlerChrysler	Automotive Manufacturer	17,000
Great Lakes Crossing Mall	Sales & Entertainment	3,000
Oakland University	Education	2,782
Comerica	Banking	2,700
Valeo SA	Engineering & Design	1,500
Volkswagen of America	Automotive Manufacturer	1,000
Meijers	Department Store	750
ABB Flexible Automation	Industrial Machinery & Equipment	750
Continental Teves	Engineering & Design	600
Jabil Circuit, Inc.	Circuit Board Manufacturing	500

**LABOR CONTRACTS
DECEMBER 31, 2003**

CITY OF AUBURN HILLS

Table 15

<u>Name of Organization</u>	<u>Number of Members</u>	<u>Contract Expiration Date</u>
American Federation of State, County, and Municipal Employees.....	57	December 31, 2003
Police Officers Labor Council.....	14	December 31, 2002 ⁽¹⁾
Police Officers Association of Michigan.....	48	December 31, 2005
Non-Affiliated Employees.....	67	N/A
TOTAL	186	

⁽¹⁾ Currently Under Negotiation

MISCELLANEOUS STATISTICS - UNAUDITED

CITY OF AUBURN HILLS

Table 16

Date of Incorporation: 1983
Form of Government: Elected City Council/Appointed City Manager
Area: Approximately 17.5 square miles

Miles of Streets:

State Highways-4.4 Miles
Interstate Expressways-9.0 miles
County Roads-19.0 miles
City Major Roads-25.73 miles
City Local Streets-40.4 miles paved, 1.1 miles gravel

Number of Streetlights-1,615
Number of Traffic Signals-51

Recreation:

Approximately 194 acres of parks
Rail Trail - 2.1 miles (25 acres)
1 Campground with (6) cabins and (1) Lodge
33 miles of bicycle/pedestrian paths
1 canoe launch
9 picnic areas
E. Dale Fisk Hawk Woods nature center-approximately 80 acres
1 municipal golf course-Fieldstone Golf Club
Nationally renowned Palace of Auburn Hills concert and sport venue

Schools:

Pontiac School District
Avondale School District
Rochester School District
Lake Orion School District

Colleges:

Oakland University-16,576 students
Baker College of Auburn Hills-3,177 students
Oakland Community College-8,355 students

Elections:

November 4, 2003 General Election
Registered Voters: 13,527
Ballots Cast: 1,834 13.6%



City of Auburn Hills - Michigan